

INTERNATIONAL

# Herald Tribune

Published with The New York Times and The Washington Post

No. 29,550

PARIS, SATURDAY-SUNDAY, FEBRUARY 11-12, 1978

Established 1887

## Lebanese Right, Syrians Continue Beirut Fighting

BEIRUT, Feb. 10 (Reuters).—Syrian peacekeeping troops and Lebanese rightists clashed with each other again today and rightist leader Pierre Gemayel urged efforts to save Lebanon from "catastrophe."

Tank, guns, mortars, rockets and heavy machine guns were used along an ill-defined front line between rightist positions in Christian eastern Beirut and western areas controlled by the Syrians. Syrians form the bulk of the 30,000-man Arab League peace force that ended the 1975-76 civil war in most parts of Lebanon 15 months ago.

Today's engagement followed a morning lull after three days of bloodshed in which more than 150 people died and many more were wounded. Shortly after noon a shell crashed into Ashrafieh in the heart of eastern Beirut.

The fighting subsided after midnight, following the pattern of the last four days.

Former President Camille Chamoun's rightist National Liberal party laid the blame for today's action on the Syrians, accusing them of "indiscriminate and intensive shelling of residential areas."

"We view it as an out-and-out provocation," a spokesman for the party said. "The Syrians have launched what looks like a predetermined policy to escalate the fighting."

The National Liberal headquarters in Ashrafieh was attacked by Syrian troops on Wednesday. Two bullets hit Mr. Chamoun's office minutes after he had left it.

Premier Selim al-Hoss announced tonight that Syrian Foreign Minister Abdel Halim Khaddam would arrive in Lebanon tomorrow at the head of a delegation from Damascus.

"God willing, there will be positive developments," the Premier said after a two-hour meeting with President Elias Sarkis.

The peace force meanwhile issued a statement saying it had set up a joint committee with the Lebanese Army command to investigate the incident that sparked the fighting on Tuesday. It said the aim would be to identify those responsible for clashes



A rightist gunman helps two men reach safety during heavy shelling in Beirut Friday.

at the Fayadieh army barracks between Lebanese and Syrian troops.

At the same time the peace force said it would continue to act against all elements trying to obstruct peace.

After a meeting of the Lebanese Front, umbrella organization for all the rightist parties

and militias, Mr. Gemayel declared: "God willing, we will be able to save the country. Otherwise the biggest catastrophe will befall all here and in the [Middle East] area."

The Lebanese Front meeting was called to discuss the outcome of talks in Damascus yesterday between a top-level Leb-

anese delegation and President Hafes al-Assad of Syria. Syrian troops, now fighting rightists, saved the rightists from military collapse in the closing stages of the civil war by switching support from the opposing leftist-Palestinian alliance.

The front issued a communiqué (Continued on Page 2, Col. 8)

## Israel Charged With Mistreating Arabs

## Human Rights Abuses Around World Cited in U.S. Report

By John M. Goshko

WASHINGTON, Feb. 10 (UPI).—The State Department has told Congress in reports on human rights in 105 countries that, despite some improvements during 77, repression and abuse of individual liberties are still widespread in most parts of the world.

The reports, made public yesterday, accuse the governments of several nations closely allied to the United States—among them, South Korea, the Philippines and Morocco—of allegedly

law's specific instructions, the department delivered the reports on all countries receiving U.S. aid to Congress on Jan. 31. Congressional sources said the publication yesterday was determined solely by the mechanics of when the Government Printing Office was able to finish running the 430-page report off its presses.

Some government sources and human-rights activists expressed concern that the heavy attention focused on the Israel report

might detract from what they regard as the real purpose of the exercise—to present a composite picture of the global human-rights situation and what it says about the Carter administration's controversial effort to make human-rights concerns a major element of U.S. foreign policy.

Even that approach to the reports drew a disclaimer from the State Department yesterday. Mr. Reston cautioned that they should not be regarded as an "overall

philosophical assessment" of the human-rights scene or of the U.S. government's role in any of its recent successes or failures.

Last night, the Israeli Embassy here issued a statement noting that the report called Israel "a full-fledged parliamentary democracy whose standards are comparable to those of the United States and other Western democracies."

The statement added: "Obviously the report notes the difference

between these standards applied in Israel and those which security considerations force Israel to apply in the territories under its control. Nevertheless, in spite of those difficulties, the government and the people of Israel are trying to apply the highest standards and their own perception of human rights everywhere and to everybody."

Under the 1976 law requiring the reports, both the administration and Congress are supposed to take rights abuses into account in allocating foreign aid. Yet, it already has become known that the administration, when it presents its fiscal 1979 aid budget to Congress, will seek to cut off military aid to only one country criticized in the reports—Nicaragua.

Several countries that have figured prominently in rights controversies—Chile, South Africa, Uganda and the Communist nations—are not described because they do not receive U.S. aid. Of the countries covered, the reports include these points about different regions:

The Middle East and South Asia: Israel's tactics in the occupied lands are found to include "the use of extreme physical and psychological pressures during interrogations," using excessive force to quell demonstrations, searching the homes of Arabs without warrants and occasionally expelling Arabs suspected of terrorist involvement.

Elsewhere in the region, the reports cite evidence of repression and allegations of mistreatment in Morocco, Iran, Syria, Pakistan and Bangladesh. However, they add in some—probably Iran and Pakistan—conditions improved considerably during 1977.

The report on India says "human rights and democracy have been restored" in that country. Tunisia and Kuwait also are given good marks for respecting individual liberties.

East Asia and the Pacific: The Philippines government of President Ferdinand Marcos is charged with torturing political prisoners and of engaging in extensive corruption. Similarly, South Korea, despite some improvements, is found to engage in "permissible activities," Tass said.

It is obvious that standing behind this action that aims to damage Soviet-Canadian relations are the special services of Canada and the forces supporting them, which systematically undertake hostile actions to complicate relations.

The principal agent was identified as Igor Varkanian, first secretary responsible for sports and cultural affairs at the Soviet Embassy.

Tass linked the expulsions to an alleged campaign by opponents of détente in Canada.

"The latest expression of this campaign" was the demand by Canadian authorities that a number of staff members of Soviet institutions leave the country on absolutely groundless charges of "impermissible activities," Tass said.

It is obvious that standing behind this action that aims to damage Soviet-Canadian relations are the special services of Canada and the forces supporting them, which systematically undertake hostile actions to complicate relations.

Canada yesterday ordered 11 Soviet citizens—mostly diplomats—to leave the country and barred two others from returning. The 13 were charged with trying to bribe a member of the Royal Canadian Mounted Police to infiltrate the security service.

## Kreisky Arranges Talks

## Sadat to Meet Peres in Austria Saturday

SAIZBURG, Feb. 10 (Reuters).—Egyptian President Anwar Sadat will have a private meeting with Israeli opposition leader Shimon Peres in Salzburg tomorrow, Austrian Chancellor Bruno Kreisky said today.

Mr. Sadat is due in Salzburg tomorrow for talks with Mr. Kreisky following meetings with President Carter in the United States this week. He spent today resting in Berchtesgaden, West Germany.

Mr. Peres, leader of Israel's Labor party, will be stopping in the Austrian city on his way from West Germany to Vienna to attend a Socialist International conference on the Middle East on Sunday.

Mr. Kreisky announced the surprise meeting in an interview taped for Austrian television. Extracts from the interview were released by the Austrian Socialist party.

Kreisky Suggestion

Mr. Kreisky said he had used the occasion of Mr. Sadat's planned stopover in Salzburg to suggest the meeting so that the Egyptian leader would be able to get the first-hand views of the Labor party, Israel's main opposition group.

In New York, meanwhile, in a move that could lead to an open confrontation with Washington, Israel has bluntly rejected President Carter's assertion that its settlements on occupied Arab territory are illegal and an obstacle to peace.

"We do not agree with President Carter about the policy [of settlements]," he continued, but these "do not include the right to establish settlements."

Mr. Mevinsky said that serious allegations of human rights violations should be investigated everywhere and that Washington would cooperate in "all reasonable measures" to determine the facts in the occupied territories.

Joel Barzani, the Israeli representative, told the commission that the settlements served an important security purpose.

They formed a "remarkably effective" network of warning stations to guard against terrorist squads and prevent the passage of "maneuvers, agitators and saboteurs," he said.

Mr. Barzani, who spoke as an observer because Israel is not a member of the commission, said that the settlements would "not be an obstacle to peace."

## Senate Sets Secret Debate

## On Panama Treaties Feb. 21

WASHINGTON, Feb. 10 (AP).—The Senate agreed today to take its debate on the Panama Canal into secret session Feb. 21 to discuss allegations that Gen. Omar Torrijos, the Panamanian leader, and members of his family are involved in drug trafficking.

The secret session was requested by Sen. Bob Dole, R-Kan., and quickly agreed to by the Democratic and Republican leaders of the Senate.

Sen. Dole made his request in a speech when the Senate began its third day of debate on the proposed Panama Canal treaties.

After Sen. Dole made his speech, Senate Majority Leader Robert Byrd, D-W. Va., formally requested that when the Senate convenes Feb. 21, after a 10-day recess, it go into closed session to discuss the allegations and classified information about them.

Excellent Cooperation

Earlier, Sen. Byrd told reporters that he was briefed on the drug-trafficking allegations and "the information I've been given is that we have had excellent cooperation from the Panamanian government."

Sen. Byrd called the allegations "a matter of concern." But the majority leader, a supporter of ratification, said "the bottom-line, muddling question is whether it is in the interest of the United States for the Senate to give its approval to these treaties."

Sen. Byrd noted that the Sen-

## Moscow Brands Ouster of 13 As Provocative Canadian Act

MOSCOW, Feb. 10 (Reuters).—The Soviet Union today described a Canadian decision to expel 13 Soviet officials for alleged spying as a provocative act based on "absolutely groundless charges."

In the first public Soviet reaction to the Canadian decision, announced yesterday, the official news agency Tass said it was authorized to state "that the actions of the appropriate Canadian authorities are regarded as unfriendly ones, and that they were taken with obviously provocative aims."

Canada yesterday ordered 11 Soviet citizens—mostly diplomats—to leave the country and barred two others from returning. The 13 were charged with trying to bribe a member of the Royal Canadian Mounted Police to infiltrate the security service.

## Transvaal Aide Sees Opera as Not for Blacks

JOHANNESBURG, Feb. 10 (UPI).—Sybrand van Niekerk, administrator of the Transvaal Province, said today that Pretoria's planned opera complex would be for whites only because blacks "don't believe in the same sort of entertainment as we do."

"They do war dances, et cetera," he said.

Special permission might be granted the opera house to admit blacks, Asians and colored "mixed-race" persons after consultation with local authorities and police, he said.

The opera house is expected to cost 46 million rand (\$52.9 million) and is due to open in 1980.

Military analysts believe that the Ethiopians are using their Soviet and U.S.-built fighter bombers, artillery and rockets to soften up the Somali forces before launching a broad infantry assault.

About 80,000 Ethiopian militia and 40,000 regular troops are believed to be on the Ogaden front, but no large-scale infantry fighting has been reported since the offensive began.

Victory After Victory

Ethiopia's statement from Rome said that Ethiopian troops were scoring victory after victory in their drive against "the Somali aggressor" and the mercenary forces of reactionary Arab regimes.

It added that the Somali government now realized "the folly of its adventure" through the deaths in battle of thousands of innocent men.

Calling on Somalia to stop the war, the statement said: "The Ethiopian government, in a genuine concern and sincere desire to prevent any more bloodshed and loss of life, appeals once again to Somalia to spare the lives of innocent soldiers thrown into battle in the Ogaden."

Ethiopia's Marxist government has dropped thousands of pamphlets over the war zone calling on the Somali forces to surrender or die.

Latest Western intelligence re-

ward improving relations with Havana. "has been further complicated." He said that Washington is not looking for concessions from Cuba, "but for an action which might be helpful."

He made clear, however, that the United States will not close its 10-member diplomatic interest section in Havana as a result of Cuban intervention in Africa. The interest section, opened in September, is "performing a useful function," Mr. Vance said.

Mr. Vance proposed, for the first time publicly, that Somalia withdraw its forces from the Ogaden Desert and, in turn, that Soviet and Cuban forces be withdrawn from Ethiopia.

Mr. Vance told a news conference that he has been assured by Soviet officials that Ethiopian troops would not cross into Somalia, and the United States therefore has remained neutral and declined to supply arms to either side.

"Different Situation"

But he said, if Ethiopian troops crossed the border, "we'd look again at it. This would be a different situation."

Mr. Vance estimated that the Soviet Union has "800 to 1,000 military adviser-types" in Ethiopia and the Cubans have "3,000 military personnel, of which approximately 2,000 are involved in combat, and further forces are on their way."

He said that Cubans have been flying Ethiopian aircraft.

On the Middle East, Mr. Vance took issue with Israeli Prime Minister Menachem Begin's statement that U.S. arms sales to Egypt, now under consideration, would be a "negative development."

"It's possible to have arms sales which are not disruptive," he said.

Mr. Vance repeated U.S. opposition to Israeli settlements in additional territory, saying: "We believe all these settlements are contrary to international law and they shouldn't exist."

He said there may be a Middle East summit conference in Washington involving President Carter, Mr. Begin and Egyptian President Anwar Sadat.

Mr. Vance said that the United States "has received assurances from the Soviets that Ethiopian troops would not cross into Somalia. We hope and expect that this promise will be carried out."

However, he made clear that the growing Soviet and Cuban involvement in the Horn of Africa has affected relations with both countries. He said that it will be taken into account in talks with the Russians on the demilitarization of the Indian Ocean.

These activities "obviously cannot help but have an effect upon the relationship between our countries. It affects the political atmosphere between the United States and those two countries," Mr. Vance said.

"What seems to be happening there [in the Horn of Africa] is inconsistent with a limitation of forces in the area, which is what we are seeking in the Indian Ocean," he added.

Regarding Cuba, Mr. Vance said the administration was disappointed that Havana, despite U.S. requests early last year, had increased rather than decreased its presence in Africa.

As a result, he said, the process

was apparently stalled in their offensive southward from the mountain citadel of Harer.

The sources said that the mounting offensive against Harer were presenting difficulties for the Ethiopian armor and the terrain favored Somali guerrilla fighters.

Two-Pronged Assault

Somalia has charged that Soviet and Cuban troops are leading a two-pronged assault to occupy a strategic 200-mile strip of its coastline around Berbera and along the Gulf of Aden.

Diplomatic sources in Addis Ababa said that the Ethiopians seemed to be making progress in their push north along the railroad line from Dire Dawa, but

## May End Neutrality

## U.S. Warns Ethiopians On Invading Somalia

WASHINGTON, Feb. 10 (UPI).—Secretary of State Cyrus Vance warned today that the United States may change its policy of neutrality and withholding arms sales in the Horn of Africa should Ethiopian troops cross Somalia's frontiers.

Mr. Vance proposed, for the first time publicly, that Somalia withdraw its forces from the Ogaden Desert and, in turn, that Soviet and Cuban forces be withdrawn from Ethiopia.

Mr. Vance told a news conference that he has been assured by Soviet officials that Ethiopian troops would not cross into Somalia, and the United States therefore has remained neutral and declined to supply arms to either side.

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President Mengistu Haile Mariam of Ethiopia.

## Pace of the Killing Intensifies

## Regime May Be Winning Ethiopia Terror Campaign

By John Danton

ADDIS ABABA, Feb. 10 (NYT).—After three months of a "red terror" campaign to wipe out what it calls "counter-revolutionaries," the Ethiopian government of Lt. Col. Mengistu Haile Mariam appears to have gained the upper hand against an underground organization, bolstering its hold on this stricken capital.

The "red terror," which began as a response to the so-called "white terror" of a revolutionary group, is continuing—with daily executions, jailings and sentencing to camps in the countryside.

Ethiopian leaders try to justify the campaign as a deliberately harsh tactic by a revolutionary government—both to survive and to remain revolutionary.

Diplomats here estimate that since mid-December more than 1,000 persons—many of them tenaged students—have been killed. Perhaps as many as 10,000 have been arrested in an operation to seek out names of members of the anti-government underground, the Ethiopian People's Revolutionary party.

The party, a shadowy organization, is a Marxist group that is fiercely anti-government, believing that a true revolution cannot be led by a military junta.

In September, October and November, the party is said to have stepped up a campaign to assassinate government officials, leading to the recent reprisal drive.

The government executions, which range from 5 to 20 a night, continue. Bodies of the victims are frequently displayed in public squares, sometimes with signs around their necks reading: "The red terror must crush the white terror."

In mid-afternoon, the crackle of gunfire is heard. It picks up after midnight, when the capital is still under curfew and the gunfire sets dogs to barking.

Wednesday morning, a group of foreign correspondents set off for Mercato, the old marketplace. Within 10 minutes, they found an example of what they were looking for: The body of a young man

(Continued on Page 2, Col. 6)

## Claiming Series of Victories

## Ethiopia Urges Somalia to Give Up Battle

NAIROBI, Feb. 10 (Reuters).—Somalia, now on the offensive against Somali forces in the Ogaden war, today called on Ethiopia to give up the battle.

The Ethiopian government promised to spare the lives of any Somalis who surrendered immediately.

In a statement issued through the Ethiopian Embassy in Rome, the Addis Ababa government said that it was ready to live as a good neighbor with Somalia.

In the latest reports of fighting, Somalia said that the forces of the Western Somalia Liberation Front had been forced to make strategic withdrawals because of the air superiority and firepower of the Ethiopian forces, spearheaded by Soviet and Cuban troops.

Somalia yesterday ordered mass mobilization to meet the Ethiopian counter-offensive which began last week. The Somali government in Mogadishu said that it may have to use regular troops to repel the Ethiopian advance.

Two-Pronged Assault

Somalia has charged that Soviet and Cuban troops are leading a two-pronged assault to occupy a strategic 200-mile strip of its coastline around Berbera and along the Gulf of Aden.

Diplomatic sources in Addis Ababa said that the Ethiopians seemed to be making progress in their push north along the railroad line from Dire Dawa, but

## U.S., at UN Rights Meeting, Calls Sinai Camps Illegal

GENEVA, Feb. 10 (NYT).—The United States told the UN Human Rights Commission today that Israel was breaking international law by establishing civilian settlements in the occupied Arab territories.

Edward Mevinsky, the U.S. representative, said that on Jan. 30 President Carter had stated Washington's position that the settlements were both "illegal" and an "obstacle to peace."

Mr. Mevinsky spoke during the member commission debate Israeli observance of human rights in the occupied territories. These rights can be preserved, he said, by the provisions of the Geneva Convention protecting the populations of occupied territories. Mr. Mevinsky said, Israel has rights under the convention as the occupying power,

he continued, but these "do not include the right to establish settlements."

Mr. Mevinsky said that serious allegations of human rights violations should be investigated everywhere and that Washington would cooperate in "all reasonable measures" to determine the facts in the occupied territories.

Joel Barzani, the Israeli representative, told the commission that the settlements served an important security purpose.

They formed a "remarkably effective" network of warning stations to guard against terrorist squads and prevent the passage of "maneuvers, agitators and saboteurs," he said.

Mr. Barzani, who spoke as an observer because Israel is not a member of the commission, said that the settlements would "not be an obstacle to peace."

مكتبة لاصول



## News Analysis

## Vietnam Faces Steady Drain In Conflict With Cambodia

By Henry Kamm

BANGKOK, Feb. 10 (UPI)—An American "lost" spoke the other day of Vietnam's involvement in Cambodia as a "quagmire," a word that gained currency in the 1960s when it became evident that the United States would find it difficult to extricate itself from its involvement in Vietnam.

Now, in the late 1970s, Vietnam has brought superior military power to bear against a neighbor that had been raiding its border regions almost since the end of the war in 1975. And Hanoi finds itself in a situation where it has not won a decisive victory and has to consider the application of more force, with the risks that this entails, or try a new diplomatic tack.

Hanoi's troops apparently advanced almost at will in their thrust in strength into Cambodia at the end of last year. They halted their advance when Hanoi thought it had proved its military potential and created for itself a position of force for successful negotiations to dampen its neighbor's aggressiveness.

But instead of suing for peace, Cambodia took the extraordinary step in relations between Communist nations of severing its diplomatic links with Vietnam and rejecting Vietnam's offer of talks until all its forces had left Cambodian territory. Vietnam appears to have substantially done this, mainly on its own initiative, sometimes under Cambodian military pressure. "Its troops are being pulled at all points," said an observer with access to national information.

**Cambodian Initiative**  
The Cambodians, perhaps encouraged by the withdrawal of the larger and better equipped Vietnamese force, appear once more to have seized the military initiative, crossing into Vietnam frequently, sometimes in strength, particularly near the southern end of the 750-mile-long frontier. At the same time, Phnom Penh maintains a high level of aggressiveness in its propaganda, comparing Hanoi's Communist regime with the U.S. "imperialists."

The Phnom Penh radio reported Tuesday that Vietnamese forces, supported by MIG planes, helicopters and tanks, had been fighting inside Cambodia, along the Bassac River, since Sunday. The broadcast said that they were repulsed Monday, with the loss of several hundred Vietnamese casualties and 17 tanks destroyed.

Informal sources in Bangkok said the Vietnamese incursion appeared to have been in retaliation for an earlier Cambodian attack in the vicinity of the Vietnamese provincial capital of Chau Doc.

Vietnam's quandary has many sides. A country of about 60 million inhabitants, with Southeast Asia's strongest military force by far, is being harassed by a country of 7 million. Its casualties are heavy, according to recently arrived Vietnamese refugees here, who say they owe their escape to the confusion reigning in the southernmost coastal region as a result of the fighting.

The fighting diverts Vietnam's large army from what has been its principal task since it won the

war in 1975—the reconstruction of the ravaged and underdeveloped country. Because of the fighting, agricultural production has suffered in the border areas of the nation, which is short of food. Moreover, many of the population, "new economic zones," to which reluctant city dwellers have been forced to move, are situated along the Cambodian border and insecurity presumably intensifies their unpopularity.

Indochina watchers have no doubt that Vietnam has abundant military means to capture any place in Cambodia that it desires, including Phnom Penh, and to install a client government. But to do so, Hanoi, which throughout the war against the United States worked up vital support from international public opinion, runs the risk of endangering that support and with it the chance of badly needed economic assistance.

At the same time, knowledgeable analysts believe that Vietnam's actions toward Cambodia are constantly restrained by Hanoi's awareness of China's stake in Cambodia. The xenophobia that seems to motivate Phnom Penh's rulers does not appear to have the endorsement of Peking, the principal source of economic and technical assistance for a country devastated by war and the revolutionary policies followed by Cambodia's postwar rulers.

Cambodia has been a difficult ally for China. At a time when China is turning away from its earlier radicalism and pursuing a good-neighbor policy toward the rest of Asia, its best friend in Indochina is surpassing it in internal revolutionary zeal and an adventurous foreign initiative, which, because of its inherent weakness, it cannot bring to a successful conclusion.

China has limited its public expressions to urging a negotiated settlement and sending a highly respected public figure, Chou en-Lai's widow, Teng Yingchao, to Phnom Penh to speak about nonaggression and respect for territorial integrity. Peking is thought to fear that outright support for Cambodia's case against Vietnam would drive Hanoi into an even closer relationship with Moscow.

Last Sunday's peace proposal by Vietnam, offering the establishment of a demilitarized zone on both sides of the border and international supervision and guarantee of an agreement, is viewed by many as a clear challenge to Peking, the only nation with substantial influence in Phnom Penh, to bring its client to the negotiating table.

No Cambodian Reply  
So far, Phnom Penh has not replied specifically to Hanoi's proposal, although it charged in a broadcast Tuesday that Vietnam was committing "barbarous aggression" while calling for negotiations.

There is speculation here that the Vietnamese peace plan might be Hanoi's last move before a renewed thrust into Cambodia, unless the offer results in negotiations. It is noted here that Defense Minister Vo Nguyen Giap and the military commander in southern Vietnam, Gen. Tran Van Tra, inspected the border region late last month.



**CRITICAL APPRAISAL**—At a military training base at Gwelo, 170 miles southwest of Salisbury, Rhodesian Prime Minister Ian Smith reviews an officer cadet, one of 18 commissioned Friday into the army. In the background, right, Lt. Gen. John Hickman, the commander of the Rhodesian Army, watches proceedings.

## U.S. and Vietnam Clash in UN On Legality of Envoy Ouster

UNITED NATIONS, N.Y., Feb. 9 (UPI)—Vietnam and the United States clashed in the United Nations today over whether Washington acted illegally in ordering Vietnam's Ambassador to the UN, Dinh Thi, expelled from the country for spying.

Mr. Thi said the U.S. idea of "prior consultations," as is required in such cases under an agreement between the United States and the world body, amounted to nothing more than a knock at his mission's door and an "oral message" from a U.S. representative accusing him of involvement in a spy ring.

Mr. Thi asked the UN to intervene with Washington in the case. U.S. delegate James Leonard told the UN committee on relations with the host country that Washington had tried to discuss the issue with the Vietnamese in advance, but that "after an initial contact on Feb. 1, they refused to discuss the situation further with us."

Mr. Leonard also indicated that the United States had no intention of backing down on the expulsion order, issued by the State Department last Friday. Mr. Thi, who first posted to remain at his UN post in defiance of the order, has been instructed by Hanoi to return home.

"My government hopes a new permanent representative (from Vietnam) will be named shortly and that this unfortunate matter will be closed," he said.

Mr. Thi, whose country is the 149th and newest member of the UN, became the first ambassador in the 33-year history of the world body to be ordered out of the United States.

The expulsion order was issued after a federal grand jury in Alexandria, Va., named Mr. Thi as an unindicted co-conspirator in a case concerning espionage by the Royal Canadian Mounted Police.

Canadian diplomats, waiting for possible retaliation by the Kremlin, said there had been no word from the Soviet authorities.

Diplomats expected the Soviet government to wait until after the weekend, and possibly longer, before announcing any action such as the expulsion of Canadian officials working here.

Mr. Thi's barbed or expelled 185 Soviet officials in 1971, the media here reported the action two days later and Moscow retaliated two weeks later by expelling 4 British diplomats and forbidding 10 others to return.

The Canadian Embassy has 13 diplomats, 3 military attaches and 25 non-diplomatic personnel. Ambassador Robert Ford has served in Moscow for 14 years and is dean of the diplomatic corps.

No Permanent RIM Seen  
OTTAWA, Feb. 10 (Reuters)—Canadian Prime Minister Pierre Elliott Trudeau said today that the alleged Soviet spy ring was a blot on relations between the countries but would not lead to a permanent rift.

At a news conference here, he played down the long-term effects of the scandal. Mr. Trudeau said: "You can continue to have good relations with a person who has not been

named in advance, as required under agreements with the UN. As expected, he received solid support from Communist bloc nations, including the Soviet Union and Cuba.

"I request the committee to examine and clarify this matter and to intervene with the government of the United States to abolish this unjust decision . . . and to put an end to an abuse on the part of the host country," Mr. Thi said.

A 1947 agreement between the United States and the UN gives Washington the authority to expel a foreign diplomat without having to justify the order. Mr. Leonard said that on Feb. 1, "we attempted to discuss the situation with the Vietnamese (UN) mission, but after an initial contact, they refused to discuss the situation further with us. We did exchange views with the Vietnamese Embassy in Paris."

Mr. Thi said Mr. Leonard's version was "false." Rather than consultations, he said, what happened was that U.S. Deputy Ambassador Donald McHenry showed up at the Vietnamese mission "in order, he told me, simply to transmit an oral message from his government."

(From yesterday's late editions.)

## Moscow Brands Ouster of 13 As Provocative Canadian Act

(Continued from Page 1)  
tions between the two countries," it said.

Trudeau said this was explained by the fact that the reputation of the Canadian intelligence services "has become quite tarnished"—apparently a reference to a recent scandal over domestic spying by the Royal Canadian Mounted Police.

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A 1947 agreement between the United States and the UN gives Washington the authority to expel a foreign diplomat without having to justify the order. Mr. Leonard said that on Feb. 1, "we attempted to discuss the situation with the Vietnamese (UN) mission, but after an initial contact, they refused to discuss the situation further with us. We did exchange views with the Vietnamese Embassy in Paris."

Mr. Thi said Mr. Leonard's version was "false." Rather than consultations, he said, what happened was that U.S. Deputy Ambassador Donald McHenry showed up at the Vietnamese mission "in order, he told me, simply to transmit an oral message from his government."

## Salisbury Talks Seen Closer To Agreement

SALISBURY, Feb. 10 (UPI)—In talks free from the hostility of previous days, delegates to the internal majority-rule settlement conference today revised a draft agreement that participants say could be signed next week.

Conference sources said, however, that the issue of white parliamentary representation under black rule was set aside for the day.

Three of the participating delegations have already agreed that a future 100-seat parliament should have 28 white members elected directly by white voters. But the fourth delegation, Bishop Abel Muzorewa's United African National Council, has advocated having 30 whites elected directly by Rhodesia's mostly conservative whites and eight others by both white and black voters.

Bishop Muzorewa's organization will hold a "consultative assembly" Sunday, at which the hierarchy will ask their supporters whether they favor having the group give in to the other delegations on the issue.

(Continued from Page 1)

## Moscow Brands Ouster of 13 As Provocative Canadian Act

(Continued from Page 1)  
tions between the two countries," it said.

Trudeau said this was explained by the fact that the reputation of the Canadian intelligence services "has become quite tarnished"—apparently a reference to a recent scandal over domestic spying by the Royal Canadian Mounted Police.

Canadian diplomats, waiting for possible retaliation by the Kremlin, said there had been no word from the Soviet authorities.

Diplomats expected the Soviet government to wait until after the weekend, and possibly longer, before announcing any action such as the expulsion of Canadian officials working here.

Mr. Thi's barbed or expelled 185 Soviet officials in 1971, the media here reported the action two days later and Moscow retaliated two weeks later by expelling 4 British diplomats and forbidding 10 others to return.

The Canadian Embassy has 13 diplomats, 3 military attaches and 25 non-diplomatic personnel. Ambassador Robert Ford has served in Moscow for 14 years and is dean of the diplomatic corps.

No Permanent RIM Seen  
OTTAWA, Feb. 10 (Reuters)—Canadian Prime Minister Pierre Elliott Trudeau said today that the alleged Soviet spy ring was a blot on relations between the countries but would not lead to a permanent rift.

At a news conference here, he played down the long-term effects of the scandal. Mr. Trudeau said: "You can continue to have good relations with a person who has not been

named in advance, as required under agreements with the UN. As expected, he received solid support from Communist bloc nations, including the Soviet Union and Cuba.

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## Bid to Ban Israeli TV Film On 1948 War Boomerangs

TEL AVIV, Feb. 10 (UPI)—Israel's political arm conceded today that it could not interfere with decisions by an independent broadcasting authority as to what should be screened by the state-owned television station.

A statement today by the parliamentary Education and Culture Committee opened the way for the screening of a controversial film depicting the banishment of Arabs across the border by Israeli soldiers during the Palestine war of 1948.

The screening had been approved by the broadcasting authority and scheduled for television last Monday. But two deputies protested in the Knesset (parliament) that the film served anti-Israel propaganda and they called for a debate. The Knesset, at the recommendation of Minister of Education Zevulun Hammer, directed the Education and Culture Committee to take up the matter after the members see the film.

Shortly before Monday's scheduled telecast, Mr. Hammer ordered the performance postponed. The directors of the broadcasting authority protested political intrusion into their area of competence and refused to arrange a showing for the committee. Some members, including the committee chairman, Aaron Yadin, said they did not want to see the film because they objected to political censorship.

The resiliant scandal and the attempt to suppress the story boomeranged. One newspaper here began serializing the story by Israel's Embassy, on which the film was based. An Arabic newspaper in Jerusalem said it was applying for serialisation rights. News media here and abroad sought out veterans of the 1948 war for accounts of instances of misconduct by soldiers similar to that described in the suspended film.

A report from California said the film companies had made inquiries about getting rights to film Mr. Smilansky's story there.

Opponents of the minister's action in suspending it had brought more attention to the allegation of Jewish atrocities in the 1948 war than the film would have drawn if it had been shown.

## U.S. Issues Rights Report

(Continued from Page 1)  
in widespread political repression, intimidation and imprisonment of political foes. Elsewhere in the region, the reports find detentions without trial, problems in Indonesia, Malaysia and Singapore. Conditions in Thailand are described as improved despite the continued authoritarian nature of the military regime there.

Africa: The reports find a general pattern throughout the continent of one-party states or military dictatorships where severe restrictions are placed on political activity and expression. This, the reports find, leads to frequent abuses, particularly arbitrary detentions of political dissidents.

This pattern, the reports say, is true even of countries like Tanzania "that talk a lot about human rights on the international scene."

However, the reports note several countries—Botswana, Cape Verde, Gambia, Liberia, Mauritania and Upper Volta—with good rights records. Latin America: Allegations of widespread abuse, sometimes involving murder and torture, continue against such military dictatorships as Bolivia, Paraguay, Nicaragua, El Salvador, Guatemala, Uruguay and Haiti. The reports portray Uruguay as being particularly resistant to pressures for reform, but note some improvements in Nicaragua, El Salvador and Haiti.

Europe: This is the area with the brightest record. The reports say respect for liberties remains high in the traditional democracies and note either a full restoration of rights or rapid progress in that direction in such former problem countries as Spain, Portugal, Greece and Turkey.

Thousands of Agents  
TORONTO, Feb. 10 (Reuters)—Soviet defector Igor Gouzenko, the central figure in a spy scandal 30 years ago, was quoted as saying today that there were probably thousands of Soviet-recruited agents at large in Canada.

Mr. Gouzenko, now 88, defected in Ottawa in 1945 with documents revealing Canadian security services to crack a major spy network.

The former Soviet cipher clerk, who is living in Canada under an assumed name, was interviewed by the Toronto Star newspaper. He was quoted as saying that he had had access to only one of the Soviet spy rings operating in Canada in 1945.

"Since the other spy rings had the same policy of recruiting Canadians to work for them, there must be thousands of agents loose in Canada," he said in the interview.

Slad Barre appealed for Western military aid. He has accused Moscow of planning an invasion of Somalia to establish a Soviet presence in the Horn of Africa, on the West's oil route through the Red Sea.

Israeli Aid Denied  
LONDON, Feb. 10 (Reuters)—Ethiopia denied yesterday through its embassy here that it is receiving arms supplies from Israel.

Israel Foreign Minister Moshe Dayan told an Israeli radio reporter in Zurich Monday, "We are selling arms to Ethiopia. We have had cooperation with Ethiopia for years and years."

Yesterday's Ethiopian statement called Mr. Dayan's declaration a "deliberate and sinister act designed to isolate Ethiopia from the progressive Arab world and drive a wedge between Ethiopia and the Socialist world."

Typically, the squads raid a house during the curfew hours, midnight to 5 a.m., and drag off a suspected member or sympathizer of the Ethiopian People's Revolutionary party. If he is not executed immediately, he is likely to be interrogated, either in the Kibele's own jail or at the central prison of Addis, which is crowded with prisoners who spend their time playing cards and awaiting death.

Often, the suspects are secondary school students, where in the past the revolutionary party drew much of its support and recruited

## Events Not Disputed

The critics did not dispute that the events portrayed in the film had actually happened, but claimed that acts committed in the heat of the 1948 war were far from typical. Accordingly they said the television film gave a distorted image of the character of the struggle for Israel's independence.

In originally approving the film, the broadcasting authority decided the telecast should be followed immediately by a panel discussion by experts to put the incidents portrayed in proper context.

The 31-man plenary of the broadcasting authority scheduled an extraordinary meeting for Sunday, which is expected to reschedule the telecast. The body was appointed by the former minister of education, Mr. Yadin, in April, and Mr. Hammer is empowered to appoint a new body.

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## Egyptian Says N. Koreans Had '73 War Role

TOKYO, Feb. 10 (UPI)—Egyptian Vice-Premier Hassan el-Tobhamy confirmed today what has long been suspected by the United States and Israel—North Korean fighter pilots fought for Egypt in the 1973 Arab-Israeli war.

Mr. Tobhamy, who is visiting North Korea, thanked the country for its help in the war during a news conference in Pyongyang.

"The stand of your country toward our people in 19 when we fought down the enemy was a historic stand," Mr. Tobhamy was quoted as saying.

"Heroic Korean airmen participated in the struggle to defend our territory as (North Korean) President Kim Il Sung strongly supported the struggle of our people at the time."

The Israeli government charged in August, 1973, about two months before the Arab-Israeli war, that 10 to 20 North Korean pilots were flying MiG fighters supplied by the Soviet Union.

## Sadat to Meet With Peres, Kreisky Saturday in Austria

(Continued from Page 1)  
between Israel and Egypt," Mr. Peres said. "We would have solved it a long time ago. But other Arab states are involved. It is hard for Israel to have a divided peace."

Mr. Peres said that Soviet participation in the peace process was not important for negotiations with Egypt and Jordan, but that the Russians should be expected to take a more active role when it came to discussions between Israel and Syria.

Mr. Kreisky took a Vienna newspaper today that Israel's policies must be fundamentally changed. "The more inflexible they are, the less understanding they will find in the world and the greater will be Israel's isolation," he said.

Originally, Mr. Sadat was due to spend about four hours in Salzburg for talks and lunch with the Austrian Chancellor before going to Bucharest. He is scheduled to have meetings with Romanian President Nicolae

Causes tomorrow and Sun. Mr. Kreisky said that he suggested the Sadat-Peres meeting because there was a need on both sides for contact. The Socialist International meeting Sunday was arranged. Mr. Kreisky to give party (clashes from 20 nations) an opportunity to exchange views on Middle East.

The front appeals to all nations, friends and partisans to restraint and vigilance to prevent a new escalation of the conflict. The front regrets the fact of the last few days in the Middle East, particularly as it takes place with a friendly fire which entered Lebanon with agreement of its legal authorities.

It called for a joint investigation committee to determine responsibility. "The front appeals to all nations, friends and partisans to restraint and vigilance to prevent a new escalation of the conflict. The front regrets the fact of the last few days in the Middle East, particularly as it takes place with a friendly fire which entered Lebanon with agreement of its legal authorities."

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## Another Technological Breakthrough from SEIKO The LC Digital Quartz ALARM CHRONOGRAPH

It tells time and day, month and date, turns into a stopwatch and has an alarm, too.

**TIME AND DAY**  
Large, easy-to-read LC digital display, the hour, minute, second and day of week.

**LAP TIMING**  
The display freezes to show time for a single lap while, internally, race timing continues.

**MONTH AND DATE**  
At the push of a button, time display disappears and the month and date appear.

**ALARM MODE**  
Push mode button and alarm display appears. Then set alarm to exact hour and minute desired. No resetting required for daily alarm signals.

**ELECTRONIC STOPWATCH**



## Most Sweeping Reform

## Senate Panel Proposes Bill To Curb Spy-Agency Abuses

By Bill Richards

WASHINGTON, Feb. 10 (UPI).—The Senate Select Committee on Intelligence yesterday proposed a sweeping legislative package that would, for the first time, restructure and centralize the U.S. intelligence apparatus and close some of the loopholes that led to intelligence abuses in the past.

The proposed legislation is the most comprehensive congressional attempt at bringing the sprawling intelligence community under one roof since much of it was set up in 1947 under the National Security Act.

In addition to setting out an administrative framework under which the Director of National Intelligence, the new bill would provide a series of checks by Congress, the National Security Council and the President on U.S. intelligence activities at home and abroad.

At a news conference, Sen. Frank Lautenberg, D-N.J., chairman of the Intelligence Committee, said the proposed legislation and other recent steps to codify national intelligence "the most significant protection of American liberty since the Bill of Rights itself."

**Parallels Carter Order**

The committee's legislative package closely parallels President Carter's Jan. 24 executive order requiring the intelligence agencies on an interim basis while the Senate committee finished up its bill.

The seven-part, 200-page document prohibits certain types of overt action by the CIA such as assassination, terrorism, torture, the mass destruction of property, or epidemics, the overthrow of democratic governments or the support of actions which violate human rights by police, foreign intelligence or internal security forces of foreign countries.

A committee spokesman said the CIA's involvement in overthrowing non-democratic nations is not prohibited by the bill. The new legislation does allow intelligence agency bugging and

break-ins under certain circumstances when they are approved by Congress and the president.

It also puts Congress in the unique position of considering a law that would authorize the attorney general, the top legal official in the nation, to grant an intelligence agency permission to violate federal law.

That could happen if the intelligence agency promised not to commit an act of violence or violate another part of the new legislation. Requests could be made to the attorney general in cases of espionage, terrorism or assassination.

Among the portions of the new congressional bill that go beyond President Carter's intelligence executive order are:

- Granting the FBI statutory intelligence agency status, which it now lacks. This new status would put the FBI under the same umbrella of legislative restrictions proposed for other intelligence agencies. An exception is the bureau's controversial domestic intelligence activities, which are the subject of a separate intelligence committee bill now being prepared.

- Protection for U.S. citizens and resident aliens in the United States and abroad from electronic eavesdropping or mail opening by intelligence agencies without a court order based on criminal identification. Currently the attorney general can authorize surveillance in the United States without a court order on national security grounds.
- A formal charter for the National Security Agency, making it accountable to Congress for the first time since President Harry S. Truman created the agency by a secret order in 1952.
- The committee dropped from its bill any mention of making public the U.S. intelligence budget and apparently compromised on two other areas which have been the subject of recent bad publicity for the intelligence community.
- Intelligence agencies will be allowed to continue experiments on humans. But under the bill any subjects of experiments must give the same type of informed consent as is required of all other government agencies.
- News representatives and clergymen will be barred from accepting pay for intelligence assignments under the bill but not stepped down from working for intelligence agencies on a voluntary basis.

The committee's proposal also bans any federal employee from knowingly revealing the identity of an undercover intelligence agent if the agent could be harmed. That section, committee staffers said, was designed to prevent any repetition of the case of Philip Agee, the former CIA agent who identified several active agents in a book after he left the CIA.

## Fiat in U.S. Recalling 26,600 '75, '76 Models

WASHINGTON, Feb. 10 (AP).—Fiat is recalling 26,600 of its 1975 and 1976 Fiat-131 models to correct potentially defective throttle control mechanisms, the National Highway Traffic Safety Administration announced today.

The problem involves throttle returns springs that could break, causing the throttle to stick in an open position and making it difficult for drivers to control the speed of their cars.

## Proposes Treaty to Senate

## Carter Seeks World Checks on U.S. Nonmilitary A-Sites

By Don Irwin

WASHINGTON, Feb. 10. —President Carter proposed a treaty yesterday to subject U.S. nonmilitary nuclear installations to inspection by the International Atomic Energy Agency.

In submitting a draft treaty to the Senate for ratification, Carter noted that the commitment was first proposed in 1967 by former President Lyndon Johnson as a step to assure compliance with the then-pending nuclear nonproliferation treaty.

The proposed treaty would supplement legislation that would curb the spread of nuclear weapons by tightening controls on nuclear exports from the United States, which is the world's largest exporter of such materials.

The new measure would require the 30-odd nations that buy nuclear material from the United States to abide by safeguards developed by the International Atomic Energy Agency and to permit the agency to inspect their nuclear facilities within 18 months. It would cut off exports

of nuclear materials to any nation that used them for weapons development.

Ninety-nine nations are now parties to the nonproliferation treaty, which requires signatories to agree to inspections of nuclear facilities by the International Atomic Energy Agency.

Exempt from this requirement, however, are three signers that possess nuclear weapons: the United States, the Soviet Union and Great Britain—as well as nations that did not sign. Among the nonsigners are France, China and India, all of which have detonated nuclear devices.

Jessica Tuchman, a National Security Council arms control specialist, stressed the "symbolic importance" of the proposed treaty in persuading some holdout nations to sign the nonproliferation treaty.

"One of the major reasons why some countries have hesitated to

sign," she said, "is that they fear that the inspection requirement that it demands of them will put them at a commercial disadvantage—and it's hard for us to argue that. It won't when we don't have to do the same thing."

**Not a Disadvantage**

The proposed treaty would not put the United States at a commercial disadvantage, Dr. Tuchman said. However, she said, it probably would require utilities using nuclear power to revise their reporting procedures to comply with the "very comprehensive system of accounting" required by the international agency.

Dr. Tuchman rejected suggestions that the treaty had been proposed as part of a campaign to persuade India that the nonproliferation treaty does not discriminate in favor of the major nuclear powers.

In his message, President Car-

ter said that it would mean application of International Atomic Energy Agency safeguards to U.S. nuclear facilities "other than those having direct national security significance."

The language is the same as that used by Mr. Johnson when he proposed in 1967 to "make it clear to the world" that the United States was "not asking any country to accept safeguards we are unwilling to accept ourselves."

His proposal, like the one submitted by Mr. Carter, would have permitted the international agency to inspect both government and private nuclear activities, including the fabrication, use and reprocessing of fuel used in power reactors. The Carter administration already has blocked full development of a fast-breeder reactor that would produce weapons-grade plutonium as a byproduct.

© Los Angeles Times.



GOING NOWHERE—An access road to Big Tujunga Canyon near Los Angeles was cut off when officials opened gates of a reservoir to ease pressure on dam. Several homes in area were cut off, but none flooded.

## Flooding, Blackouts in Calif.

## Heavy Rain, Snow Lash West As Northeast Still Digging Out

BOSTON, Feb. 10 (AP).—Arling Army troops cleared snow in the Northeast, heavy snows blanketed Montana and Idaho, and police were swamped by calls about mudslides, power failures and flash floods in southern California.

Electrical power was interrupted for up to several hours from Santa Barbara to San Diego, as the latest in a series of rainstorms lashed that region for the second day.

The Los Angeles Police Department ordered all personnel to remain on duty overnight to handle weather-related emergency calls.

A flash-flood watch was issued for San Luis Obispo and northern Santa Barbara counties as streams rose rapidly.

By early this morning, the third storm to hit the area this week had dropped 3.28 inches of rain at the Los Angeles Civic Center, bringing the season's total to 19.81 inches—more than twice the normal amount. Mostly sunny weather was forecast for the weekend, but another storm could reach the state Monday or Tuesday.

In the West, a full day of sunshine yesterday began to cause some thawing. In Boston and most of eastern Massachusetts, a state of emergency, however, remained in effect.

More than 10,000 Army troops, National Guardsmen and state and local workers used heavy equipment and shovels to free more than 2,500 cars packed in the snow on Boston's highway.

The work was expected to continue into next week. Military personnel also worked on roads in Connecticut and Rhode Island. Gov. Michael Dukakis in ex-

tending his state of emergency order through today, said "We have made very substantial progress, but we have a very, very long way to go."

In Montana, National Guard troops cleared snow from previous storms as new snow fell. Some isolated communities reported shortages or shortages of fuel and food. Gov. Thomas Judge yesterday declared eastern Montana a disaster area.

In the Sun Valley, Idaho, area as much as 23 inches of new snow fell in a 30-hour period, blowing and drifting snow were reported in Utah.

There were snow flurries and strong winds in the Midwest. Seven school buses traveling in fog on Indiana highways were involved in six separate crashes today, authorities said. At least 11 pupils and two adults suffered minor injuries.

Dr. John Gauscholz, assistant medical examiner in Rhode Island, said today that 15 persons, mostly elderly, died in this week's blizzard. He attributed 14 of the deaths to heart attacks and the other to asphyxiation.

A heavy snow warning was posted for parts of Nevada. A winter storm watch was in effect for the central mountains of Arizona.

## 4 DIE IN U.S. Crash

PITTSBURGH, Feb. 10 (AP).—A crowded commuter bus collided with a trolley south of downtown Pittsburgh during the morning rush hour today, killing four persons and injuring at least 22 others, authorities said.

The crash occurred at the intersection of the bus and trolley tracks. The bus was carrying about 40 passengers. The trolley was carrying about 20 passengers.

The bus was traveling south on the main highway. The trolley was traveling north on the same highway. The crash occurred at about 7:30 a.m.

The bus was a 1975 model. The trolley was a 1970 model. The bus was owned by the Pittsburgh Public Works Department. The trolley was owned by the Pittsburgh Rapid Transit Authority.

The crash occurred on a busy street. The bus was traveling in the right lane. The trolley was traveling in the left lane. The crash occurred at the intersection of the bus and trolley tracks.

The bus was traveling at about 30 mph. The trolley was traveling at about 20 mph. The crash occurred at about 7:30 a.m.

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## 'Mismanagement' Cited Congress Strafes AF on Computer

By Bernard Weinraub

WASHINGTON, Feb. 10.—A congressional panel has sharply scolded the Air Force for "gross mismanagement and insipid leadership" in failing to comply with a congressional order to terminate a computer system.

At the same time, the House Appropriations Committee scolded Defense Secretary Harold Brown and his predecessors for "completely ineffective" inspection efforts involving the computer project and castigated Mr. Brown's staff for "passive" efforts and "prolonged procrastination."

The criticism, in an 89-page report obtained by The New York Times, marked the sharpest and most detailed attack on the Air Force and the defense department over the controversial computer system, which was designed to keep track of aircraft repairs.

Called "project max," the \$41-million program was part of an overall \$800-million advanced logistics system that the Air Force hoped to install as a management tool for aircraft logistics and repair. Three years ago, Congress told the Air Force to terminate the effort, which had encountered various equipment and program failures.

Development of Project Max, the most controversial part of the system, continued without apparent progress for nearly a year, however, and much of the program is still going ahead, the report indicated.

## Gross Mismanagement

"The bureaucratic fumbling and delay that constituted what should have been an uncomplicated task... gives inference of gross mismanagement and insipid leadership in a military organization otherwise constructed as efficient and highly motivated," said the report.

"The only reason the investigative staff can perceive for continuation of work on... Project Max is that it was progressed to the point where full implementation is possible by July 1978," the report added.

Responding to the criticisms in the report, Air Force Secretary John Stetson sent a three-page letter yesterday to George Mahon, chairman of the House Appropriations Committee. "We do take strong exception to the allegations in the report concerning Air Force attitudes and motives," Mr. Stetson said.

Project Max had been terminated, he said, and work had begun on the other recommendations in the report.

"I assure you that we will, in accordance with the desires of the Congress, expend every effort to provide the Air Force with efficient and effective ADP (automatic data processing) services," Mr. Stetson said.

The report itself is laced with

unusually acid criticism of the Air Force and of some of its commands and officers, as well as the defense secretary's inspection apparatus, present and past. In the view of the committee, "The inept and lackluster per-

## U.S. Seeks Witnesses To A-Tests

WASHINGTON, Feb. 9 (Reuters).—The U.S. Defense Department today began an international search for up to 300,000 persons who attended nuclear weapons tests in the late 1940s and 1950s to see if they had developed cancer.

A Pentagon statement said that the search was "to determine if there are any health hazards in connection with the tests." A Defense Nuclear Agency (DNA) spokesman, Lt. Col. Bill McGee, said that "cancers are what they are looking for."

Colonel McGee said that only incomplete lists were available of the estimated 300,000 civilian and military people who attended the tests, held in the Pacific and in Nevada from 1946 to 1957.

## 8 Cases Reported

He said that the search came after eight cases of leukemia were discovered among the estimated 2,500 to 3,000 persons who attended nuclear tests at the Nevada test site near Las Vegas, on Aug. 21, 1957.

Col. McGee said the names would be passed on to the Centre for Disease Control in Atlanta, Ga., and to the National Academy of Sciences in Washington.

He said the names of approximately 90 Canadians who attended the Nevada test had been given to the Ottawa government.

The United States stopped nuclear tests above ground after concluding a nuclear test ban treaty with the Soviet Union in 1962.

The DNA spokesman said that just before the treaty a number of atmospheric tests were carried out in the Pacific with British participation.

## U.S. Ex-Soldier Dies

BOISE, Idaho, Feb. 10 (AP).—Paul Cooper, 44, the ex-serviceman who claimed his leukemia was caused by his close-range observation of an army nuclear explosion 20 years ago, has died, a spokesman for the Veterans Administration Hospital said yesterday.

Mr. Cooper had been hospitalized on and off for the past year with leukemia. He was the first of several veterans to claim that witnessing the atmospheric tests in the Nevada desert caused leukemia.

Immense displayed by the Air Force in its failure to comply with congressional direction is indicative of organizational paralysis rather than any concerted effort to defy Congress."

The Air Force Logistics Command, "historically inept in ADP (automatic data processing) development, continued an unblemished record even in the simple task for dividing an intelligence plan for interim work." The report noted that the logistics command was riven with "intolerable administrative deficiency" that "barred on hush-hush."

Project Max in itself, "a legitimate candidate for termination as directed by Congress," was found to "collect and disgorge reams of data which will be most impressive but of little practical value."

Although the report found that the office of the secretary of defense had made some effort to insure that the Air Force complied with Congress, it said that the defense secretary's "inspection efforts were completely ineffective, principally because of the lack of interest by OSD (Office of Secretary of Defense) officials in pursuing findings by its staff and the negative attitude of the Air Force in accepting OSD criticism."

The report added: "Prolonged procrastination by OSD in providing any guidance or direction to the Air Force... has rendered OSD staff efforts useless."

It was not until last June, said the report, that the defense secretary's office began taking action involving Project Max. But, the report indicated, little has actually been done since then, and "no specific guidance" has been issued by Mr. Brown's office to the Air Force.

Ernest Fitzgerald, a Pentagon employee who was fired in 1968 after revealing cost overruns of \$2 billion associated with the Lockheed C-5A cargo plane, has made Project Max an issue.

Mr. Fitzgerald says the Air Force is proceeding with a similar project under another name—Actual Hour Accounting System. "It looks like Max," he says, "it looks like Max," Mr. Fitzgerald said. "It is Max."

## U.S. Women, 60, 61, Held as Smugglers

SYDNEY, Feb. 10 (UPI).—Two American women have been charged with smuggling about two tons of hashish into Australia, Police Magistrate Drenth, 60, and Vera Todd Hayes, 61, were identified yesterday when a federal court here refused to grant them bail.

They were arrested by federal narcotics agents in Gosford, New South Wales, in possession of about two tons of hashish valued at \$18 million.

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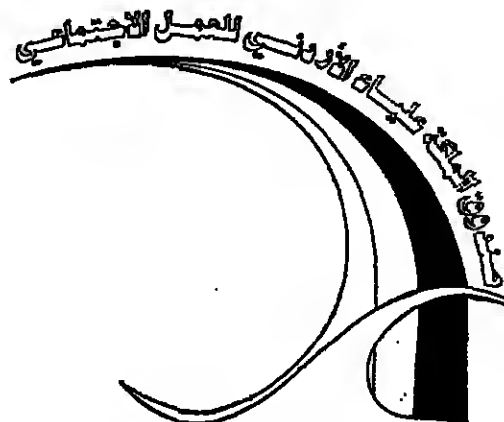
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## The West Bank Imperatives

What now in the Middle East? Egypt and Israel are blaming each other for the impasse in their negotiations and asking the U.S. people and government to throw the weight of their opinion against the terms of one side or the other. It is a diplomatic time-out for propaganda that, at the moment, is working for President Sadat. But there is no profit in it for anyone.

The Egyptian leader has persuaded many Americans that his grand gesture of going to Jerusalem was insufficiently reciprocated and that instead of designing a peace, the Israelis are grasping for territory. He contends that he has gone as far as he can by offering Israel acceptance and security and that everything will fall if Israel refuses to commit itself to negotiate toward the creation of some kind of Palestinian homeland on the West Bank of the Jordan.

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The Israelis respond that they have made a comparable gesture in offering Egypt undisputed sovereignty over all of Sinai and that a peace treaty with their principal antagonist awaits only some security arrangements that should pose no difficulty. They say they cannot possibly discuss the more complicated issues of sovereignty and security in the West Bank until Jordan's King Hussein joins them at the bargaining table.

Sadat says any deal must be comprehensive, by which he means it must envision that territory conquered in 1967 be returned not only to Egypt but on all fronts. Prime Minister Begin and his Foreign Minister Moshe Dayan, say they cannot make a comprehensive agreement with a single negotiating partner whose initiative is condemned by the parties for whom he seeks to speak. President Carter has straddled this issue by stating that any settlement must be both "negotiated" and "comprehensive."

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The President's balance recognizes points of merit on both sides. Israel needs security, not more territory. To get a more comprehensive agreement, Egypt needs to be joined by other Arab negotiators. The U.S. objective in this situation should be to resist, for the time being, Israel's yearning for a separate peace with Egypt while pressing vigorously for at least Jordan to join the talks. Only then will it be determined whether Israel's quest for security guarantees can finally be separated from the claims of some Israelis for permanent settle-

ments in, access to and even sovereignty over the West Bank.

The United States and much of the world, apparently including Sadat, recognize the Israeli fears of hostile military emplacements, terrorists and irredentist political forces based within a few miles of its major cities and installations. But there is little support, and there should be none, for those Israelis who employ the pretext of security, or who proclaim biblical sanctions, to establish more Israeli settlements that can only create new political ambiguities and military necessities.

Nor is Begin's policy of opening new settlements consistent with a genuine bid to Hussein or West Bank Palestinians to join a negotiation in which their claims to sovereignty over the region will be a major issue. For both short-term and long-term reasons, therefore, the United States is right to inveigh against the settlements. If only to diminish the damage they are doing to themselves in the current propaganda contest, the Israelis would be wise to halt all settlement activity as a contribution to peacemaking.

The inescapable issue behind all this, of course, is the Arab world's desire for what has come to be called the "self-determination" of Palestinians—and the Israeli desire to deny it except in the sense of "self-rule" by West Bank communities. If the Israelis cannot become sovereign in the area, they appear determined that no one else will either. The issue is a tragic legacy of rival nationalisms and of the failure of the Arabs to accept the partition of Palestine when it was offered by the world 30 years ago.

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The most moderate Arabs offer now to accept Israel, as they would not then; if they can still obtain partition. The most moderate Israelis contend that the fears produced by four wars cannot be overcome by pieces of paper—and that on this central question, many Arabs are not moderate. The West Bank, then, is not likely to be disposed of in a single round of negotiations or in an agreement that would take effect in a relatively short time.

But the principle can be established that security, and not territory, is the only legitimate Israeli aspiration, and the meaning of security can become the basis of negotiations. With that as his agenda, Carter just might chase the Israelis and Egyptians away from the microphones and press the Arab world to send the Jordanians to join Begin to the test.

THE NEW YORK TIMES

## International Opinion

### Proxy War Through Somalia

The Western powers' dislike so far of fighting a proxy war through Somalia has been politically wise as well as humane. But it should first be represented to the Organization of African Unity that the non-intervention of the big powers applies to all candidates, not just Western ones; and that secondly, if the latest OAU peace mission fails, the UN Security Council must be seen as the place where Soviet intentions can be given a thorough airing. By any previous definition there is already "a threat to the peace."

—From the Guardian (London).

### Failure of Begin?

Prime Minister Begin of Israel has so far produced a very bad impression by the paucity of his response to Egyptian President Sadat's peace initiative, and by his government's continued insistence on maintaining Israeli military protection over the settlements, particularly those in the Sinai. He has failed to rise to the occasion. He said in Geneva this week that "people shouldn't expect peace in a day or two or in a week. . . . I ask to negotiate over a period of several months." Fine, but the question is negotiate for what? For a peace settlement or merely to improve Israel's tactical position on the ground? It looks as if Mr. Begin is aiming at the latter. If so, he is making a grievous mistake. Sadat has staked everything on his attempted breakthrough. Every week that passes now, with continued Israeli dithering and procrastination, makes his position more threatened.

—From the Daily Telegraph (London).

### Central America Contrast

There has been a remarkable study in contrast in two of the small countries of Central America this week. In Costa Rica,

a country which rarely makes the headlines because of its political stability, there has been a presidential election in which the main opposition candidate, Rodrigo Carazo of the Unity party, has won. In its slightly larger neighbor Nicaragua, the regime of President Anastasio Somoza, whose family has dominated the country for more than 40 years, has been emerging from a very different sort of challenge from the combined forces of the opposition. Seizing a chance of at last toppling the repressive Somoza regime, the opposition had launched a general strike which was backed by unions, several private businessmen's organizations and political parties. At the same time the main guerrilla group, the Sandinista National Liberation Front, made attacks on the National Guard, which is regarded as virtually President Somoza's private army.

President Somoza has refused to stand down, saying that he will stay in office until the presidential election which is due in 1981. But his position is much weaker than it used to be. Since having a heart attack last July he has not been able to keep the same close watch on events. He has also come under attack from two forces which carry weight in Nicaragua, the Roman Catholic Church and the U.S. government. Even in Venezuela, there has been talk of helping the strikers by stopping oil supplies.

—From the Times (London).

### French Elections

There are indeed many glaring inequalities and injustices in French society which are overdue for remedy, and it may well be that some kind of social upheaval will occur in France this year whatever the [scheduled March] election result. But it cannot be said that the present world economic climate is propitious for such an event. . . . The sick bay of Europe is already overcrowded, without adding France to their list of patients.

—From the Times (London).

## In the International Edition

### Seventy-Five Years Ago

February 11, 1903

NEW YORK—What is declared to be a diamond fallen from the sky was today placed on exhibition in the American Museum of Natural History. It is a diamond embedded in a 40-pound meteorite discovered in Arizona. Tests have proved the substance to be a genuine diamond, and trouble and doubtless, substances which, proved an origin not terrestrial, were both found in the iron which encased the gem.

### Fifty Years Ago

February 11, 1923

PARIS—"Long trousers will remain for men now that their nether limbs are no longer clad in silk, for the silk hose is passé. American men, every last one of them, have abandoned the silk sock. It just isn't being done any more. To be smart a man must wear bright colored woolen socks, cotton is alright but wool is best," said Harold Simmons, a leading English hosiery importer, here yesterday.



## Mideast: Washington Tilts to Washington

By James Resion

WASHINGTON—President Sadat of Egypt left the United States in high good humor and Foreign Minister Moshe Dayan of Israel arrived in a foul mood the following day, but the truth is that nothing much has changed except perhaps a growing boredom here with both sides.

Washington is not tilting toward Cairo or toward Jerusalem, but toward Washington. This capital's vital interests are not regional but worldwide, and certainly not identical with either Egypt's interests or Israel's, and frankly officials here have other things to do besides refereeing a propaganda war between Sadat, Begin and Dayan.

Secretary of State Vance did see Sadat's tough Washington speech just before he made it here the other day, and the Carter administration did consciously take Sadat's side on the emplacement of Israeli settlements in disputed territory. Also, Carter proclaimed Sadat to be "the world's foremost peace-maker," but this is not new, and Carter has never been especially noted for understatement.

### Hopping Mad

For the last few weeks, officials here have obviously been irritated with Begin and Dayan on the settlements issue. And the White House is hopping mad at Dayan's attack on Carter's settlements statements. Their objective in the Sadat visit was to get him back to the negotiating table, and they purposely played up the settlements question so that Sadat would feel that Washington was prepared to lean on Israel when the administration here thought Begin was wrong.

Accordingly, a decision was taken here to emphasize and redefine Washington's support of UN Security Council Resolution 242, and reaffirm Carter's statement to Sadat at Aswan on Jan. 4. The two key passages covering these points in the White House communiqué follow:

"The settlement must be based on all the principles of Security Council Resolution 242, including withdrawal of Israeli armed forces from territories occupied in 1967, and the right of every state in the area to live in peace within secure and recognized boundaries. Resolution 242 is applicable to all fronts of the conflict."

"There can be no just and lasting peace without resolution of the Palestinian problem. The President (Carter) reaffirmed at his meeting with Sadat at Aswan, Jan. 4: There must be a resolution of the Palestinian problem in all its aspects; it must recognize the legitimate rights of the Palestinian people and enable the Palestinians to participate in the determination of their own future."

### Same Tune

The administration emphasizes the importance of these two paragraphs because it is basing its policy upon them. But Carter did not weaken in any way the U.S. government's "historic commitment to the security of Israel" and it did not change its position on borders or its opposition to a Palestinian state. It merely sang a little louder the same tune Begin and Dayan have never liked.

What has changed is the hopeful spirit of the Sadat visit to the Knesset in Jerusalem, and everybody's nerves seem a little rawer now than at the turn of the year. Both sides were talking philosophy then, and now they are talking about political pressure and airplanes and the balance of power.

Sadat wants the U.S. people to put pressure on Israel to give him the peace treaty he wants. Israel wants Carter to put pressure on Sadat to moderate his position on the Palestinians and the Israeli settlements on the West Bank and the Sinai. Both sides want the latest U.S. airplanes for themselves and oppose or giving them to the other side.

Still there is no evidence here

that the Carter administration is going to change its middle position or give up pressing for minimal compromises and a comprehensive Middle East settlement.

It is only the rhetoric that has changed. Though Secretary of State Vance not only saw Sadat's National Press Club speech in advance and apparently made a few suggested changes, this is not interpreted by officials here as approval by Vance of all Sadat's stern lectures.

Nor would the State Department spokesman be drawn into an argument over Dayan's latest statement that Sadat was not president of Israel and that neither Sadat nor the United

States has the responsibility for the security of Israel. The spokesman merely replied that the Carter administration had stated its position and Dayan had stated his and let it go at that.

There is some hope here, however, that the two sides may be able to agree to a step-by-step withdrawal of Israeli troops under Resolution 242 over a period of time. Prime Minister Begin referred vaguely to this in Geneva when he spoke of a "transitional period during which there will be phased arrangements." He wanted to be sure there would be a "real peace between us," he said, and he indicated that this would probably take "a few years."

Begin, who usually takes a harder line than Dayan, seemed more moderate than his foreign minister this week. He called for patience to heal old wounds and still said there was reason to believe that the peacemaking process would go on. "What I suggest is a chance to negotiate seriously, perhaps several months," he said. "We have justly stunted."

It is known that Carter urged the same line on Sadat, who is impatient with the tedious and protracted process of negotiation. Assistant Secretary of State Atherton will be serving as the mediator in this process both in Cairo and Jerusalem in the coming weeks.

## The Battle of 'Whizkid Gulf'

By William Safire

WASHINGTON—One of the greatest battles of all times is raging at this very moment, and the U.S. Navy is losing.

The combat zone: "Whizkid Gulf," a vast area of disagreement that has opened at the Pentagon between former whiz kids of the McNamara era (Assistant Secretaries of Defense Russell Murray and David McElwain) and our present naval persons (Navy Secretary Graham Clayton and Chief of Naval Operations Adm. James Holloway).

The prize to be won: the national decision to save or to scuttle the U.S. Navy as a force capable of maintaining "command of the seas" in wartime.

The opening blast was fired late last year, as the Carter administration shot out most of the budget for the F-14 Tomcat naval fighter plane, which many defense analysts thought was our best chance to combat the Soviet "Backfire" bomber.

### Smokecreen

Behind a smokecreen of secrecy, the Navy blazed back with a draft of a "posture statement" that made clear that the U.S. policy would continue to maintain naval "superiority."

The whiz kids—more whiz kids, now—thundered their answer in a secret critique of the Clayton-Holloway posture proposal, a copy of which was stuffed in a bottle and has floated into my hands.

"Change references to 'maritime superiority' or 'superiority' to 'adequacy,'" the critique suggested.

Reason: the term "maritime superiority" is a policy enunciated by the previous administration and is in direct contradiction with the policies of the current administration and secretary of defense.

"That will come as news to many Americans. As proof that the policy has changed, the critique (written in the Office of Program Analysis and Evaluation) cites this evidence: 'The SecDef Fiscal Year 79 posture statement does not use the terms 'naval' or 'maritime superiority.' Instead it uses the term 'adequacy' to describe the desired sea control capabilities in a major emergency (page 95 of classified SecDef posture statement).'"

### Plant a Word

The bureaucratic trick here is to plant a word in your boss's mouth and then build a policy on it. In the undrafted version of Secretary Harold Brown's posture statement, he says, "We would want to be able to provide sea control forces sufficient to maintain our lines. . . . But in the version with 'secret' stamped on it, that phrase was changed to read: "We would want to be able to provide adequate sea control forces to maintain our lines. . . ."

Why the change? "Adequacy" and "sufficient" are synonymous. The reason for the insertion of "adequacy" is so that the whiz kids could have their code word fall from the top man's lips, to be cited—as it was—in their critique. These are the games bureaucrats play, for the highest security stakes.

### Pentagonese

As the smoke clears from the opening engagement of the Battle of Whizkid Gulf, the Navy has been able to navigate around the torpedoes of adequacy and holds fast to the idea of superiority. But the secret "consolidated guidance" from the defense secretary projects a naval "decrement" (that's Pentagonese for the opposite of "increment") of 5 per cent a year, which would bring the Navy down to 800 ships by 1990. You could call that "adequacy."

Harold Brown bids fair to become the Louis Johnson of the 1970s: As the CIA estimates the Soviets now spend 13 per cent of their GNP for arms, we now project 8 per cent, lowest rate since 1928. They used to say that only in the presidency of a staunch anti-Communist could the opening to Communist China take place; in the same way, only in the presidency of a former naval officer could we see the scuttling of the U.S. Navy.

### Taxing Vices

President Carter's "tentative" consideration of "health" tax on the sales of cigarettes and alcohol (shades of Prohibition) causes me some qualms. If the government wants to voice a somewhat moralistic disapproval of these favored vices, why do they see fit to make more money rather than less out of the sales of tobacco and alcohol? In the case of tobacco, at least, the market is a relatively secure one due to the addictive force of nicotine.

Even though I am a nonsmoker, I've always thought it hypocritical for the government to make any money at all out of cigarettes. I have to wonder why President Carter's morals seem to invariably lead him straight to the money. I can only hope that, in the end, Carter won't turn out to be a smoother, but no less sinister, flip side of Nixon.

JOHN SOSNOWSKI  
London

## A Visit To a Sick Pachyderm

By David S. Broder

WASHINGTON—Lincoln's birthday being the traditional time to look in on that perpetually languishing but never quite expired creature, the Republican party, let us gently open the door to the sick room and see if the pale pachyderm is sitting up and taking nourishment on this anniversary.

Why, look there! Bill Brock, the national chairman, has the relic looking almost alive. Its cheeks are flushed—doubtless with righteous indignation at Jimmy Carter's mistreatment of dear David Marston, the Philadelphia prosecutor. Its pulse is throbbing hard—probably still excited by the defeat of the latest Consumer Protection Agency bill.

There is still a deep bruise in the side, where Ronald Reagan and Gerald Ford collided on the Panama Canal treaties. But that ancient young Howard Baker is putting on cold-compress compresses and trying to keep the swelling down.

### Money in Bank

On the anniversary of its patron saint, the Republican party appears to be in very good shape—for the shape it's in.

As usual, it has a lot more money in the bank than it has votes in Congress or candidates who can win. But the congressional minority, under Baker and John Rhodes, has exercised its influence disproportionate to its numbers. Even though outgunned 2-to-1 in the House and more than 3-to-2 in the Senate, the Republicans have defeated a batch of Carter bills, stymied others and put the Democrats on the defensive more often than the numbers would indicate was likely.

To an unusual degree, they have shaped and anticipated Carter's policy moves. The tax-cut arguments the President is making this year bear a remarkable resemblance to the arguments the Republicans were making just a year ago, when Democrats assured us the Republicans were wrong.

Carter's concern for NATO armaments and business confidence is Eisenhowerian in its sincerity. His rhetorical skills make one believe there truly is a Ford in our future, as well as in our past. In the process of throwing one to the Democratic President, the Republicans have begun to discover their own disagreement are less severe than they imagined. Baker and Rhodes have remarkably unified support from their own ranks on alternative to Democratic proposals on Social Security and economic stimulus. As for such matters as campaign finance law, election-day registration and the like.

### Throwing Cues

But cohesive minorities are still minorities and, in that respect the Republicans remain as feeble as they were when the wreckage was cleared after the elections of 1974 and 1976. They are about as weak as a party can be and still claim to be alive.

Their weakness does not show so much at the top as at the bottom. Fully a dozen Republicans are in campaign readiness for the 1980 presidential nomination fight. Not all of them have lost so recently as to be devoid of interest.

But Brock keeps pointing out that electing another Republican president, without rebuilding the party base, is just courting some other devil to the tortures of "working with" a Democratic Congress.

So his emphasis, this year, is on the state and local contests—particularly the legislative and gubernatorial races. Their outcome will determine which party can draw the lines in the redistricting coming in almost every state after the 1980 census.

Republican prospects for those statehouse contests look quite good. A number of industrial state Democratic governors are in trouble from taxes, from scandals or, in a few blessed places, from both. Out West, Carter's wiser and farm policies have managed to make a bad Democratic situation worse.

But as we tip-toe out of the sickroom, half convinced that by this time next year the endgame elephant will, like the Roanoke, have undergone a parity-plausible change, let us pause to remember an ancient adage, given fresh currency by what happened in New Jersey last fall:

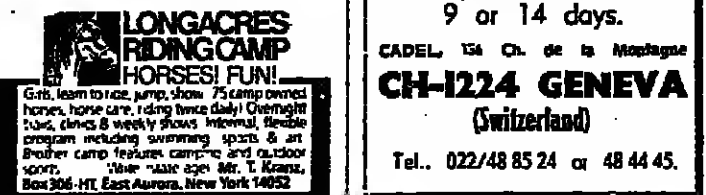
As my old father used to say, you can never lose money, in the long run, betting on the Republicans' capacity to foul up their own chances. A year from now, the fabulous invalid will probably still be toes-up, as usual.



**By Jay Mathews**

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## Japan Import Licenses Decline 15% in Month

OKYO, Feb. 10 (AP-DJ).—Imports licensed in January to Japan declined 15.3 per cent from \$5.61 billion to \$4.75 billion, the Japanese Ministry of International Trade and Commerce said today. On a year basis, licensed imports to Japan fell 1.35 billion yen last month, or 17.3 per cent from December, and down 15.3 per cent from a year earlier.

In December on a dollar basis, licensed imports had fallen 4.1 per cent from a year earlier and 3.9 per cent from the prior month, but the yearly drop is due to a bulge in nuclear energy imports in December, 1976. MITI announced yesterday that January certified exports to Japan were \$2.4 billion, a year earlier to \$2.86 billion, but were down from a record \$3.01 billion in December.

## EEC Protests

### To Japan on Aides' Speech

BRUSSELS, Feb. 10 (AP-DJ).—The Common Market Commission protested today about remarks attributed to Japan's Minister for External Economic Affairs, Nobuhiko Ushiba, concerning EEC efforts to restrict trade with Japan.

The oral protest was made by Roy Deman, director general for external affairs at the commission, to the Japanese mission to the EEC. A Commission spokesman said Mr. Deman asked a mission to relay to the Japanese government the EEC's "surprise and concern" over remarks that Mr. Ushiba reportedly made at a dinner at the Tokyo Harvard Club Feb. 10.

The spokesman said the EEC is especially irritated over Mr. Ushiba's remark that "our friends in Europe would like to see us as a market for their goods." He said the EEC had been a United States from September through January into a short war from now until the end of the year. Mr. Ushiba added that it would be "a difficult enterprise."

Mr. Deman said that talks on opening up the market in Japan are continuing, and have been continuing since.

EEC foreign ministers at a meeting last Tuesday agreed to ask for a reversal in the current trend of the Japanese trade surplus by mid-1978 and expressed hope that the Japanese would find it possible to make a good gesture before EEC government officials held their spring summit in Copenhagen April 7-8.

## Big Five' Aides Are Said to Set Finance Meeting

LONDON, Feb. 10 (AP-DJ).—Finance ministers and central bankers of the five leading industrialized nations are expected to meet in Paris over the weekend, informed European sources said today.

In Washington, the Treasury said that Secretary Michael Blumenthal is scheduled to visit on Monday to discuss economic issues with Chancellor Helmut Schmidt and that he was expected to be in Paris either over the weekend or after the 12 to Bonn.

In London, a spokesman for the Treasury said that he could either confirm or deny the report of a weekend meeting in Paris. French officials refused comment on the report.

The weekend meeting is expected to proceed to Basel for a regular monthly meeting with more of their colleagues on other industrialized nations on the Bank for International Settlements.

## Motorcycle Output Increases in Italy

MILAN, Feb. 10 (AP-DJ).—Italy's production of motorcycles rose 12.7 per cent to more than 2 million units in 1977, from 1.8 million in 1976, the Association of Motorcycle Manufacturers reported on the basis of still provisional data.

Out of the total about 900,000 units were motorcycles below a cylinder capacity of 50 cubic centimeters.

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## Stable or Rising Dollar Would Help

### Wall St. Pins Hopes on Foreign Buyers

NEW YORK, Feb. 10 (AP-DJ).—One of the more plausible hopes capturing the hearts of some market observers in recent weeks is that the dollar will firm and that foreign investors then would become heavy buyers of U.S. stocks once again.

In theory, this would provide the base needed by the faltering stock market and put some backbone into cash-rich institutional investors here.

It is an interesting theory. Foreigners, after all, have had good reason to hold back on stock purchases while the dollar value of those stocks was declining in relation to their own currencies, and it is conceivable that a stable or rising dollar would prompt them to return to the U.S. stock market.

But some Wall Street portfolio strategists do not think the market's current weakness will be as easily cured as all that and continue to advise caution to their institutional clients.

"We suspect the foreign-buying view may overstate the aggressiveness of most foreign investors," says Marshall Acuff Jr., of Smith Barney, Harris Upham & Co. "I'm not saying it won't happen but we don't think it's going to be it. Any near-term, there is likely to be very volatile and

this would indicate to us that a firm footing hasn't yet been established for a significant and sustained move up." Besides, he adds, foreign buyers have tended to be on the late side of market moves "and I'm not sure that has changed."

Mr. Acuff believes the most likely source of the market's badly needed stabilizing influence is the individual investor, who remains sensitive to yield and to the relatively better returns he perceives in alternative investments.

However, "with the exception of utilities, common stocks continue to generate little enthusiasm from individuals," he says. "Until this changes, we would hold any upward move to the market suspect."

Mr. Acuff believes that periodic market rallies may, indeed, coincide with recovery moves of the dollar, but he expects currently negative investor sentiment to prevail over the next six months.

Beyond that, he believes "the beginning of a meaningful move in the stock market might be possible" by late summer if investors have a clearer focus by then on the economy's momentum and Federal Reserve Board policies under a new chairman, among other things.

"We feel the requirement for a better

market is some slowing of economic growth and less negative inflationary trends, which would tend to take some of the upward pressure off interest rates," he says. Meanwhile, Smith Barney continues to advise clients to hold cash reserves ranging from 10 per cent to 30 per cent of assets, depending on desired portfolio risk, and fixed-income holdings equal to 20 per cent to 40 per cent of assets.

"A better buying opportunity in the bond market may occur in the months ahead," says Mr. Acuff. "In the meantime, we prefer rolling over short-term paper at yields exceeding 6 per cent. Bond investments should focus on the highest quality because the spread remains uncomfortably narrow between low and high-quality paper. U.S. Treasuries are the preferred vehicle, particularly intermediate, for any current purchase program."

"Equities should be largely yield and domestic oriented. Utilities continue to comprise a major portion of our portfolio. Some value is apparent in selected steels and coppers. We continue to favor the drug group in the growth category. Selected issues in lodging, beverages, packaged foods, insurance and housing are attractive," Mr. Acuff thinks.

## Corporate Clients Go to Other Sources

### Big N.Y. Banks Say Loan Activity Is Still Very Slow

NEW YORK, Feb. 10 (AP-DJ).—Although U.S. business loan demand continues to rise throughout the nation as the economy improves, the biggest New York banks are still experiencing unusual difficulties drumming up business as their large corporate customers are turning increasingly to other sources.

Business loan demand among major New York banks "is still very, very soft," David Rockefeller, chairman of Chase Manhattan Bank, said in an interview. "We have noticed some slight increase and we have seen a few indications corporations are taking out capital construction plans and dusting them off. But I am afraid there has been nothing very dramatic yet."

Donald Woolley, chief economist of Bankers Trust Co., says the bank's lending officers "still don't perceive all that much strength in loan demand." The main reason, he said, is "our largest customers have numerous competitive alternatives," such as the commercial paper market or borrowing abroad. "We tend to get loan growth late in the cycle when corporate spending picks up, especially the bricks and mortar type," Mr. Woolley added.

Shown in Fed Data  
This trend was underscored by the latest weekly figures released by the Federal Reserve Bank of New York yesterday. Commercial and industrial loans on the books of leading New York banks declined by \$85 million in the week ended Wednesday.

That was the seventh consecutive weekly decline, making a total decline of \$2.45 billion for that period. In the previous week, commercial and industrial loans fell \$251 million, the Fed reported. In the like 1977 week, commercial and industrial loans estimated that bankers' acceptance increased \$146 million.

In the latest week, the Fed notes, or trade bills, declined about \$70 million. Such bills are normally considered money market instruments but are counted as loans when held by banks.

They represented the single largest area of decline during the week, followed by decreases in loans to gas and electric utilities and to real estate. There were increases in loan demand from food, liquor and tobacco companies, the wholesale trade and service industries, he said.

## Swiss Jobless Level Rises by 30 Per Cent

BERN, Feb. 10 (AP-DJ).—Swiss unemployment rose 30 per cent in January from December, 1977, but still was 28 per cent below the level in January a year earlier, official figures showed.

At the end of January, a total of 15,097 persons were unemployed, up 3,531 from the end of December. The unemployed represented about 0.5 per cent of the labor force.

The Fed's weekly money supply figures, normally released each Thursday, were delayed this week due to the snowstorms in the East.

The slowness in loan demand from major corporations is continuing in six dimensions among banks and regulators. During a luncheon speech yesterday to the New York State Bankers' Association, Paul Volcker, president of the Federal Reserve Bank of

New York, said: "In the city, the entry of a large number of foreign banks and the sluggishness of loan demand from the biggest corporate customers have affected the competitive climate, stimulating greater attention to costs and ingenuity in pricing and marketing."

Mr. Volcker later added in an interview that "a lag of this sort for this long a period of time at the big banks is unusual."

Instead, the department is emphasizing the finished goods index, which measures prices of such goods as automobiles and food just before they are sold to the consumer.

The price index for consumer finished goods rose 0.7 per cent in January, somewhat faster than the 0.4-per-cent rise in December.

However, prices rose more sharply in each stage of production, indicating further price increases may be on the way. A more rapid pace of inflation was particularly pronounced at the intermediate stage of production, partly because the unusually high level of residential construction activity resulted in higher prices for most construction-related products, the department said.

The price index for crude goods, such as mining and farm products, rose 2 per cent in January, the fourth straight monthly increase. Prices at the intermediate stage, where commodities require further processing, rose 0.9 per cent, the largest increase since last April.

Prices for all wholesale commodities rose 0.9 per cent, the biggest increase since a 1-per-cent rise last April.

The department had depended on the all-commodities wholesale price index until December but is placing it out on grounds it exaggerates the impact of inflation by counting many price increases more than once.

## Wholesale Prices Drop 1.5 Per Cent in Japan

TOKYO, Feb. 10 (AP-DJ).—Wholesale prices during January fell 1.5 per cent from a year earlier and 0.1 per cent from December, due largely to the appreciation of the yen, bringing the wholesale index down to 105.2 (1975 equals 100), the Bank of Japan said.

The January decline follows an equal 1.5-per-cent year-to-year drop in December—the first annual drop since 1971. Prices have declined on a month-to-month basis since October, when they fell 0.3 per cent from the prior month.

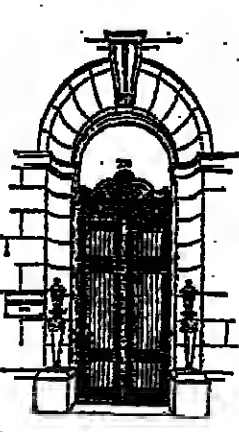
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## SEC May Take Over Futures Trading Unit

By Colleen Sullivan

WASHINGTON, Feb. 10 (WP).—The Securities and Exchange Commission has dealt the tiny Commodity Futures Trading Commission a devastating blow by proposing to take over the regulatory authority for the rapidly growing financial futures markets or, alternatively, to assume all of the CFTC's functions.

In a 10-page memorandum to the General Accounting Office which has been obtained by The Washington Post, the SEC cited two primary reasons for the proposal: The surveillance difficulties that both agencies encounter under the present setup, and the "potential for manipulative and other adverse effects in the market" as the futures industry expands into financial and capital-raising systems.

According to the document, the GAO requested the memo for a major audit of the CFTC undertaken as part of the reauthorization review of the 3-year-old agency. Reauthorization and budget hearings for the CFTC are scheduled for the week of Feb. 21 by four congressional subcommittees.

The beleaguered agency is expected to undergo rigorous scrutiny for its past performance, especially its administrative practices and its difficulties in enforcing federal regulations against widespread fraud in London commodity options sales.

A Hinge Task  
While both critics and friends point to the awesome task the agency faces in regulating the \$1-trillion-volume market, critics, they have been quick to point out in the past that the intrinsic differences between commodity and securities markets require a vastly different regulatory approach.

The SEC memo notes this. "The basic regulatory goals of securities and futures legislation have necessarily been different," the document states. "The futures markets were not intended to, and do not—have a capital-raising function similar to the securities markets. They were not intended to be 'investment' markets."

The SEC proposal would affect futures trading of Government National Mortgage Association certificates, Treasury bills, Treasury bonds and U.S. government securities. Currently the Chicago Board of Trade and Chicago Mercantile Exchange make such markets. A division of the American Stock Exchange, the American Commodity Exchange, asked the CFTC on Monday for permission to trade Ginnie Mae futures.

Too Much to Do  
SEC sources said the problems encountered by the CFTC indicate that it has too many markets under its jurisdiction to do justice to them all.

"We're fearful that without decent surveillance and enforcement, situations like the one in commodity options could develop and the CFTC is just powerless to do anything about it," one official said. "They're new, they don't have 40 years behind them like we do, and they don't have our resources."

That may well be an understatement. The CFTC, with an annual budget of \$18.1 million

and a staff of 484, is responsible for 11 commodity exchanges that trade futures and physical contracts in scores of items. The annual volume of commodity trading in the United States, including \$200 million to \$300 million in London commodity options sales, ran well over \$1 trillion last year.

In sharp contrast, the SEC has a staff of more than 2,000 and a budget of more than \$50 million to supervise the nation's eight stock markets and the over-the-counter and bond markets. The stocks markets total less than \$300 million annual volume, according to the SEC annual report.

## Late Rally Fails to Lift N.Y. Prices

NEW YORK, Feb. 10 (IHT).—The stock market today dipped moderately, reflecting worries about inflation and renewed weakness of the dollar in overseas exchange markets.

The closing Dow Jones Industrial average was off 1.82 to 775.99. It was down 1.13 at 3 p.m. Volume totaled 19.43 million shares compared with 17.94 million yesterday.

Some 685 issues declined while about 675 advanced.

An afternoon recovery move, lifting the Dow Jones Industrial average briefly into plus territory, faded in the final hour. Analysts said traders became cautious in view of the Federal Reserve's money supply report, normally due Thursday but delayed until today because of the heavy snow storm in the East.

But after the market close, the Fed reported a drop of \$1.7 billion in basic money supply and a \$1.2-billion decline in the broader measure.

Weighting on the market was a government report prior to the opening that the wholesale price index for January rose by 0.9 per cent—the biggest monthly rise since last April.

Commenting on the lack of buying interest, Fred Kalkstein of Etkins Skovd Supply & Co. said the difficulty has been a "lack of evidence that the market is approaching an intermediate bottom."

Mr. Kalkstein did not rule out the possibility the market will decline to its 1974 bear market lows, although he predicted the drop would not occur in a straight line.

## Norway Cuts Kroner Value

OSLO, Feb. 10 (AP).—Finance ministers and central bankers representing the member nations of the European joint currency arrangement, or "snake," decided to devalue the Norwegian kroner by 8 per cent within that arrangement, the Danish central bank announced today.

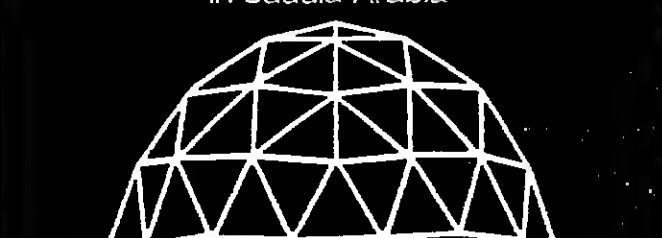
The measure was taken at the request of the Norwegian government and reflected that country's adverse balance of payments situation, the announcement said.

## French Auto Prices

PARIS, Feb. 10 (AP-DJ).—The French government has authorized French auto builders to increase the prices of their cars by an average of 3 per cent, effective Feb. 13.

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14 identified in the following footnotes.  
 15 **a**—Also accrue or extras, bonus or dividends. **Y**—Declared or  
 16 received in preceding 12 months. **X**—Declared or paid after  
 17 preceding 12 months. **W**—Deferred or not action taken at last dividend the  
 18 **X**—Declared or paid this year, an accumulative  
 19 stock dividend or stock split. **Y**—Declared or paid  
 20 in preceding 12 months plus stock dividend, **Y**—  
 21 paid in preceding 12 months, estimated cash  
 22 **X**—Ex-dividend or ex-rights, **Y**—Ex-dividend or  
 23 ex-rights. **W**—Deferred or not action taken at last  
 24 **C**—Called, **W**—When distributed, **Y**—When in  
 25 **W**—With warrants, **X**—Without warrants, **Y**—  
 26 **V**—In bankruptcy or receivership or being reorganized  
 27 under the Bankruptcy Act, or securities assumed  
 28 **Y**—Yearly basis and lows reflect the previous 24  
 29 plus the current week but not the latest trading day  
 30 **C**—Current or more than 1 year ago. **Y**—High or  
 31 low or more than 1 year ago. **W**—High or low

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500	Low	500	600	700	800	900	1000	1100	1200	1300	14																																																																																						

17%	71%	71%	1%	2940	Point	\$22%	22	22
12%	12%	12%	1%	600	Pins	\$6%	6	6
12	72	12	1%	1650	Pleaser	\$20%	15	15
13%	13%	13%	1%	7853	Ram	\$15%	20	20
23%	12%	12%	1%	70	Redpath A	\$17	16	16
28	8			1200	Reed Oar	\$9	9	9
19%	19%	19%		500	Reichnu	\$6%	6	6
30	350	355	- 5	10400	Remu Prp	85	83	83
30	400	350	+ 5	12980	Roman	\$25%	22	25
20	200	200		700	Rothman	\$18%	18	18

314	8	814+	1/4	100	Shofly A	39	19	9
314	13	1314+	1/4	422	Shell Can	161 1/2	16	161 1/2
314	16 1/2	16 1/2+	1/4	3040	Stevens	323	28 1/2	28 1/2
314	16 1/2	16 1/2+	1/4	500	Stm.	559	33	33
314	30 1/2	30 1/2+	1/2	1000	Stm.	470	46	46 1/2
				2100	Stm. 0	77	6 1/2	
				758	Southern A	520 1/2	45	
				5900	St Broadest	818	18	18 1/2
				10470	Stelco A	521	22 1/2	22 1/2
				800	Sheep R	225	23 1/2	23 1/2
				1200	Steel Cor A	26 1/2	2 1/2	2 1/2

5%	15%	15%	300	Teledyne	37%	7%	7%
5%	15%	15%	475	Tex Can	535%	23%	23%
7%	17%	17%	3668	Thom H	A	512	11%
7%	17%	17%	26194	Trn Dm Bk	A	517	16%
7%	17%	17%	1795	Turner B	A	813%	13%
7%	17%	17%	51285	Traders A	A	518%	13%
7%	17%	17%	4650	Trns M1	A	59	8%
7%	17%	17%	10944	Trns Can PL	A	514%	14%
7%	17%	17%	157	UGAS A	A	510	10
7%	17%	17%	4200	Unicom Off	A	515%	15%
7%	17%	17%	100				
7%	17%	17%	209	218			

	35%	35%+	%
7%	7%	7%+	%
8%	15%	15%+	%
1	13%		%
1	14	+ +	%
2%	16%	16%	%
2%	26%	26%	%
3	15%	16	+ %
1 1/2	7%	7%+	%
shares.			

3600 Upp Can	274	274	274
166 Un Carbld	\$17	17	17
1640 Voyager P	\$14%	13%	14
925 Westwood	\$11%	11%	7%
6630 West Airline	\$20%	20%	20%
700 West Maine	410	410	410
50 Western	\$14%	14%	14%
850 Woodward A	\$14%	14%	14%
120 Yukon C	\$15	215	215
Total sales	2,927.24	shares	

## Exchange Rates

	DM	FF	L. L.	Gldr	S.F. conv.	Swiss	Dutch
570	107.085*	46.08*	36.15*		6.9920*	115.30*	25.00*
778	15.843	8.863	7.7937			16.75	3.75
110		41.05*	3.428*	93.41*	6.431*	107.65	25.00

86	232 630	—	382.86	26 37	441.44	381
86	62.7792	48.1488	5.8770	73.635	14.880	238.540
			0.22645	88.70	0.98015	—
dollar values as given in London:	Danish krone:	8.67				
10.36;	Peseta:	0.1045;	Schilling:	15.115;	Sw. krona:	4.92
1.14075;	Flb. mark:	5.9725;	Belgian financial franc:	32		
Singapore \$:	3.3370;	1 Canadian \$:	0.90035	D.S \$		

## ing Gets Results!

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PART

ONE

## FOCUS ON

# SAUDI ARABIA

## Unique Wealth Propels the Kingdom to Global Influence

### Conservative Power Dons More Assertive Diplomacy

By Joseph Fitchett

JEDDAH (HT).—Holding the oil deterrent in a world gripped by an energy crisis, Saudi Arabia has suddenly emerged as a key player in the Middle East and an important international factor in both politics and economics.

Overnight, Saudi diplomacy has become more assertive, using oil wealth and prestige to counter radical trends in the Middle East and to block Soviet influence while expanding ties with the United States and Western Europe.

Long a reluctant oil giant, which sought protection in self-effacement and cautious avoidance of risks, Saudi Arabia has become much more activist, particularly since the new team of leaders took control in 1975. Despite this change in style, the substance of Saudi foreign policy remains the traditional one of maintaining the political climate that enables this nation to capitalize on its oil and wealth without outside interference, say diplomats in this "administrative capital" of the kingdom. Embassies traditionally were not allowed to operate in Riyadh, the "royal capital"—a policy which is just changing as part of this kingdom's opening up to modern government.

The major Saudi safeguard is probably superpower détente with its implications for regional stability; but Saudi policy looks after its local interests by pursuing objective moderation in the Organization of Petroleum Exporting Countries (OPEC), and consensus among Arab states, and negotiated settlement of the Arab-Israeli conflict, Muslim solidarity and the eradication of left-wing regimes in proximity to the kingdom.

#### Own Durability

From the kingdom's inception, the Saudi leadership has been convinced of its own durability. It left with its original tribal population. The virus of Arab radicalism that could challenge its legitimacy and destroy its rule could not successfully penetrate the region only through non-Muslim foreign forces, principally the Soviet Union. This resistance to foreign intervention has been implemented by Saudi advocacy of the idea that the whole of Arabia, sacred birthplace of Islam, should be free of alien presence.

The mood of "greatness thrust upon them" as Saudi Arabia's prestige and wealth emerged after the 1973 war, is enhanced by the activist temperament of the new Saudi foreign policy elite: besides King Khalid, Crown Prince Fahd, a vigorous man, takes an active interest in foreign affairs; Foreign Minister Prince Saud, 37, the Princeton-educated son of King Faisal, has taken over the kingdom's diplomacy; Prince Turki, another son, has taken over some functions from special advisor Kamal Adham, although the latter retains special responsibility for Egypt, which is the prime regional target of Saudi foreign policy. Egypt—traditionally counted as "half the Arab world" because of its settled mass population and central geographic position—has always been a strong, close influence just across the Red Sea; the relationship between King Faisal and President Nasser changed to open hostility in the 1960s during the proxy war in North Yemen. Subsequently, Saudi strategists have attacked, particularly important to moving the Egypt of President Sadat out of its socialist orientation and into a cooperative relationship with Washington.

In its new, powerful role, Saudi Arabia has been thrust to the front rank of U.S. allies, behind West Germany and Japan. The Saudis talk about their "very special relationship" with the United States. There is a basic trade-off: Saudi Arabia helps meet the energy needs of the

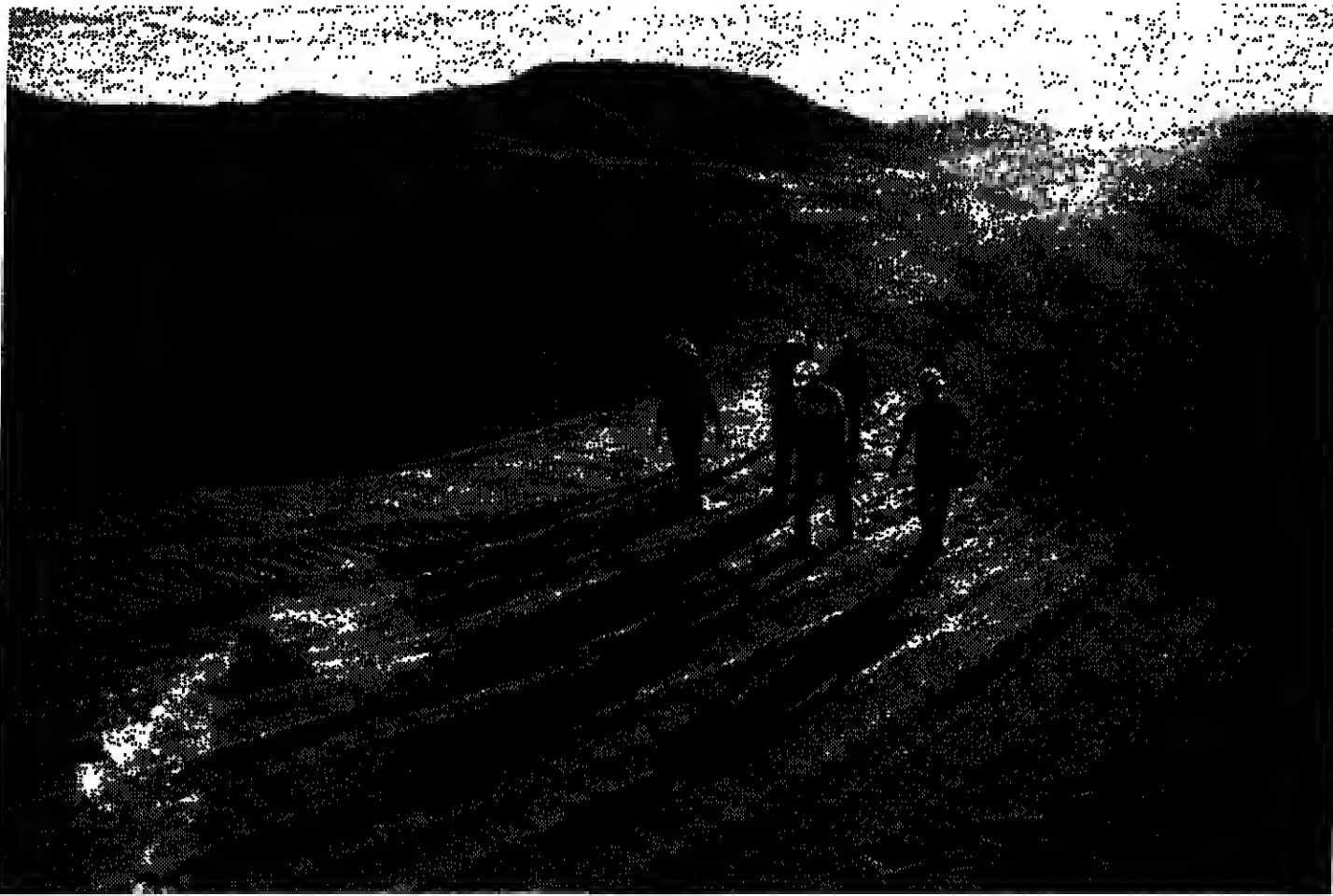
industrial democracies in exchange for the kingdom's protection. Both the United States and Saudi Arabia want to contain Soviet penetration of the Middle East and North Africa.

#### Sensitive Missions

Increasingly, Saudi Arabia is undertaking foreign policy missions which might be too sensitive for post-Vietnam Washington, where Congress has become so involved in diplomacy. The newly-assertive Saudi Arabia has helped recent North Yemen, then taken the initiative in inducing Somalia to break with the Soviet Union. The Saudi role has been crucial for Egypt. Further afield, Saudi influence is at work from Turkey to the western Sahara—and even in France during the crucial current elections—always in an attempt to financially sweeten compromises designed to maintain pro-Western alignments.

Perhaps surprisingly, oil prices do not appear to be a major source of friction between Riyadh and Washington these days. The Carter administration seems more receptive to the Saudi view that the energy crisis was largely of the West's own making, not the oil producers' doing, and that

(Continued on Page 2.)



Maro Ribout, Magnum.

A prospecting team for Aramco trudges across the Empty Quarter Desert.

## West Reliant on Nation's Willingness to Expand Oil Output

By Ian Seymour

DAHRAN (HT).—It is no exaggeration to say that the economic well-being of the industrialized Western world in the 1980s will depend very much upon the continuing stability and benevolence of Saudi Arabia.

This is the case not so much because of the already vaunted financial power of the desert kingdom—investments outside one's own borders are, in the final analysis, more of a hostage than a weapon—but simply because in a few years the West will probably be uncomfortably reliant on Saudi Arabia's willingness to expand its oil production to meet market demand.

For the moment, of course, and for at least the next two years, there will be no oil shortage. But sometime after that, when the current influx from the North Sea and Alaska has reached its plateau, demand for OPEC oil, and particularly Saudi

oil, will begin to rise at a rate requiring levels of Saudi output far in excess of the government's newly imposed ceiling of 8.5 million barrels per day (bpd). As far as is known, no other source of oil, OPEC or non-OPEC, is capable of supplying the quantities needed.

In view of the long lead times now required to bring major new energy projects to fruition (say, in the region of 10 years) and the fact that no really big development is in the offing after the North Sea and Alaska, one can see that there can be no energy miracle to deliver the Western world from dependence on Saudi Arabia in the eighties. The only questions are: First, exactly what volumes of Saudi oil production will be required to avert a crisis? And second, will the Saudis be able and/or willing to supply them?

The Saudis have always been exceptionally responsive to the needs of the West both as regards oil supply and prices, but there is

a limit to how far they would be prepared to go, even with the best will in the world.

Some of the higher forecasts for needed output from Saudi Arabia, such as the 19-23 million bpd projected by the CIA for 1985, are out of the question as far as Saudi Arabia's readiness to supply is concerned. But even the more conservative forecasts, which put the world's requirement from Saudi Arabia at, say, 13 million bpd by 1985 and 16 million by 1990, are still stretching the limits of the possible.

Clearly, all these calculations are of crucial importance to a country such as the United States whose oil imports are projected to rise to something like 12 million bpd by 1985 from the current 8.7 million bpd. (Even the most optimistic industry forecast estimates the 1985 figure at 10 million bpd; nobody believes President Carter's stated target of reducing imports to 6 million bpd by 1985 to be credible.) Saudi Arabia is already by far the lead-

ing supplier to the United States, accounting for 1.6 million bpd or nearly 20 per cent of the latter's oil imports in the first half of 1977, and this dependence is likely to grow.

With 1977 crude oil production of around 9 million bpd—topped only by the Soviet Union with nearly 11 million bpd and ahead of the 8.2 million bpd of crude (excluding gas liquids) now being produced by the United States—Saudi Arabia ranks comfortably at the top of the world's oil-league table in terms of exports and reserves. According to government figures, the kingdom's proved recoverable reserves stand at 151 billion barrels, representing 28 per cent of the total for the non-communist world and 35 per cent of the OPEC aggregate. (Using a somewhat different measure, Aramco, whose concession area accounts for all of Saudi Arabia's oil fields with the exception of around 3 billion barrels in the Saudi-Kuwait Neutral Zone,

comes up with figures of 110 billion for proved and 177 billion for probable reserves.) Possible reserves for the Aramco area alone—that is, apart from anything else that may be discovered in the rest of the country where little exploration has been done—are variously put at something like 250 to 300 billion barrels.

#### Capacity

Aramco's present production and export capacity is rated at somewhere between 11 and 12 million bpd, although actual sustained production has not been held at much over 10 million bpd for any length of time.

The government's current plans apparently envisage raising capacity to something like 14 million bpd by 1985, which represents a substantial scaling-down of an earlier Aramco scheme (not endorsed by the govern-

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### A Few Short Years See Sweeping Transformation

By James E. Akins

James E. Akins was United States Ambassador to Saudi Arabia from 1972 to 1975. He is now a private consultant on energy and Middle Eastern affairs.

WASHINGTON (HT).—In the few years since 1973 the world role and international image of Saudi Arabia have been transformed more rapidly and completely than those of any other country in history. Until recently the Kingdom of Saudi Arabia—as large as the United States east of the Mississippi but with a population less

than greater Chicago—was known in the West as the desert realm of its powerful eponymous founder, Abdul Aziz Ibn Saud. It was the land of Mecca and Medina, two of Islam's three holiest cities, and the goal of all devout Muslims. Since 1950 it has also been an important source of oil, a fact which for two decades was considered only of minor importance in a world which believed itself awash in cheap energy.

During the Middle East war in 1973, Saudi Arabia led the Arab oil embargo; although it considered itself a close friend of the United States, it also considered the Americans' massive military and economic aid to Israel in wartime as a hostile act. With the ensuing shortage, the Organization of Petroleum Exporting Countries (OPEC) saw what the world was prepared to pay for oil and along with its non-Arab members it raised the price of oil permanently.

#### A Cornucopia

In the immediate aftermath of the 1973 oil-price hike, it was also believed that Saudi Arabia would be the main supplier of new capital to the world. Although its capacity for spending money was greatly underestimated, the kingdom may still play an important role in world finance. Its annual income from oil is over \$35 billion, and this figure can be expected to grow with the increase both in production and in oil prices. It has been a cornucopia for oil companies, for construction companies, for builders of arms and for exporters of almost all consumer goods.

Saudi oil and the wealth derived from it have given the kingdom an influence in the Middle East and the world to which no other country of seven million people could aspire. Kings and presidents, foreign, defense and finance ministers from Europe, Asia, Africa and the United States are visiting Saudi Arabia; Riyadh has more official state visits than the United States.

Many visitors have their palms extended, and Saudi Arabia has been generous; its foreign aid program is about as large as

#### This Section

This special report was prepared and written by Joseph Fitchett with James E. Akins, Michael Field, G. H. Jansen, Michael Jansen, Bob Lebling, Mary Jo McConahay, Joseph J. Malone, Tom Martinelli, Joe Alex Morris Jr., Ian Seymour, J. S. Skinner and Charles F. Snow.

The riyal has a value of 3.53 to the dollar.

U.S. aid in absolute terms and about 30 times larger in per-capita terms.

It has used its growing political influence wisely—first, under the late King Faisal and now under King Khalid, Crown Prince Fahd, Prince Abdullah and the Cabinet.

#### Moderation

Saudi Arabia has mediated disputes between Iraq and Syria and between Algeria and Morocco; it has tried to bring South Yemen back into the Arab fold and has worked to reduce Soviet influence in Somalia. It has been, and still remains, a force for moderation in the Arab-Israeli dispute, a matter of vital importance to the world. Almost equally important to the short-term health of the world's economy has been Saudi Arabia's role in restraining oil prices. Saudi relations with the United States have been close and generally warm.

Apart from chronic disagreements over the U.S. role in the formation and subsequent support of Israel and the acute problems during the October 1973 war, the Saudis, whose foreign policy has been at least as anti-Communist as it has been anti-Zionist, have maintained for years that the real interests of the United States lie in the Arab world. They have also maintained that eventually the United States would understand that unbalanced support of Israel had opened the Arab and even the Muslim world to Communist penetration and accordingly would respond with a more "even-handed" policy.

The Saudis are gratified by what they term an unprecedented realism in the current U.S. Middle Eastern policy and they are anxious that it continue. The United States on its side has been pleased by what it sees as a new willingness to recognize Israel (at least de facto) and live in peace with the country. Protests on both sides that policies have not been changed, that they are firm and longstanding, are not to be taken entirely seriously. No previous U.S. president, for example, has talked of Israel returning to its 1967 borders or of the rights of the Palestinians to a homeland. And *de facto* est *Judeo* has stopped being even the implicit basis of Saudi Middle East policy.

Americans themselves are popular in Saudi Arabia. The Saudis like their openness and their honesty. The Aramco parent companies, the construction companies and the U.S. Army Corps of Engineers, all of which have planned and supervised major Saudi projects, have brought to the Saudis an admiration for American technology. When the Five Year Plan was

(Continued on Page 9.)

## Royal House of Saud—World's Richest, Most Powerful Clan

RIYADH (HT).—The House of Saud—which gave its name to Saudi Arabia and tightly controls the world's largest oil-exporting country—is the world's largest family enterprise, making the Rothschild banking octopus or Rockefeller's Standard Oil complex look like small-town enterprises.

The Saudis are the world's richest family. Hundreds of princes of the line are personally multi-millionaires. The family controls and can draw on Saudi Arabia's national income, now approaching \$40 billion a year.

The Saudis are also the world's most powerful family. Their domain contains the largest known reservoir of crude oil on earth. By spending up or slowing the flow of petroleum exports, they can push up or down the price of oil, affecting the lives of nearly every human being worldwide.

With a sparse population which is mostly backward, Saudi Arabia is a military creampuff. But the answer to "how many divisions do the Saudis have" is

not a derisive giggle: the commander-in-chief, King Khalid Ibn Abdul Aziz Al-Saud, head of the family, has the oil weapon, worth many divisions indeed.

The family has the final say in investment decisions on Saudi cash reserves the piled up, unspent surplus income from oil sales. This hoard of dollars, pounds, marks, yen, guilders and francs is approaching \$100 billion. Any shift, based on whim, pique, politics, generosity or sound economic logic, quickly affects the currencies, stock and bond markets and interest rates by which all individuals, companies and nations determine their worth.

#### A Niche

If Saudi Arabia has a niche in the board room for "Our Honored Founder," the statue would be of Abdul Aziz Ibn (son of) Abdulrahman Al- (of the house of) Saud. Abdul Aziz—erroneously known as "Ibn Saud"—to a Western world which has never mastered the complicated lineage and desert

Arab protocol which determine Saudi names—was born in 1850, and ruled from 1902 to 1953. He revived the fortunes of a family which had dramatic ups and downs in 150 years of campaigning for control of the Arabian peninsula.

His great-great-great-grandfather, Muhammad Ibn Saud, started it all off in the middle of the 18th century. Muhammad, an ambitious bedouin chief, teamed up with a charismatic Muslim reformer, Muhammad Ibn Abdul-Wahhab, to gain control of the central Arabian plateau area, called Nejd, with its capital at Riyadh. Muhammad's descendants continued to spread family control and the puritanical "Wahhabi" beliefs, first capturing the holy cities of Mecca and Medina in the western Arabian province of Hejaz, and then consolidating the family state to set up a political-religious administration.

In 1811 the forces of the Ottoman Empire intervened to quell the upstart Saudi challenge to Turkish control in the

Arab world. The family's power was decimated by Turks, internal squabbles and the rival Arabian house of Rashid.

This period of eclipse drove the then Al-Saud leader, Abdulrahman, to take refuge in Kuwait in 1875.

#### Wooden Door

Abdulrahman's son Abdul Aziz—the honored founder—led a band back into the interior of the peninsula in 1902 to recapture Riyadh from the Rashidis. It was not the kind of battle in which the commander sits back and directs his men from a secure command post behind the lines. The issue turned on control of the heavy wooden door of Riyadh's mudbrick fortress. Abdul Aziz was right there in the doorway, slashing with his sword next to a first cousin once removed named Abdullah Ibn Jiluwi.

This was the Abdul Aziz style as he captured the eastern province along the Gulf where the oil was later discovered. The Jiluwi branch of the family was given hereditary rights

to the governorship of the eastern province as a reward for loyal service.

Abdul Aziz subsequently also recaptured the Hejaz along the Red Sea, driving the Hashemite family out of Jeddah, Mecca and Medina, north to the realm where King Hussein of Jordan reigns today. He extended his control from the border of Iraq in the north to Yemen and Oman in the south and ended up in 1945 adding to Egypt on the destroyer USS Murphy with 48 relatives and servants, ten live sheep and a royal tent on the foredeck to meet Franklin D. Roosevelt.

The deluge of oil wealth had started when Abdul Aziz died in 1953. He had chosen as his successor Prince Saud, his second and oldest surviving son of 36 male offspring. Abdul Aziz also chose Prince Saud's successor, decreeing in family circles before he died that the crown prince under Prince Saud should be Faisal, his third son.

King Saud ruled until he was deposed in 1964. King Faisal followed until he was assassi-

nated in '75. The present King Khalid is Abdul Aziz's fifth son and the crown prince, Fahd, is his eighth son.

The Saudi dynasty's ability to produce commanding national leadership was evident in King Faisal's skillful performance at the helm of state. During the decade when radicalism was on the rise in the Arab world, King Faisal kept his kingdom discreetly out of the fray, then emerged as the architect of a recovery of Arab and Muslim dignity as the wielder of the oil weapon.

Originally viewed as a critic of the United States, then later, once he became king, taxed with being an uncritical American ally, King Faisal consistently championed conservative pan-Islamism as an alternative to Nasser's militant pan-Arabism. By the end of his life, King Faisal had raised Saudi Arabia to a new height of Arab prestige—and had set the stage for the kingdom's emergence into super-wealth and influence.

A profoundly religious man in

(Continued on Page 8.)





# Foreign Aid Policy: A Commitment to Redistribute the Wealth

**RIYADH (HIT).—**Nobody looking at the oil policy, the aid policy, the aid programs or the foreign policy of Saudi Arabia should ignore the nation's commitment to redistribution of the world's wealth.

The nations of the Third World share an emotional and nationalist bond, which like the ideal of Arab unity is more spiritual than serviceable but which nevertheless provides one of the basic motivating forces behind their foreign policies.

The Arabs in particular are deeply conscious of their sufferings in the past at the hands of richer and technologically superior nations. They feel strongly that the terms of trade traditionally applied to their own and other developing countries' main export commodities were unfair. Specifically, they resent the West's domination of the manufacturing process, enabling it to set international trade rates at levels which have enriched its own people while keeping the populations of the Third World at near-subsistence levels. Western dominance left the Third World governments with insufficient capital to invest in their own development—to improve the lives of their own people and give them greater economic independence—and in Third World eyes this in turn has prevented the achievement of real political independence.

## Inevitable

This may be an emotional and economically unsophisticated way of looking at world trade and development. Nevertheless, against this background it was inevitable that the Saudis and the other oil producers, having overthrown the old economic order applied to their own export commodity, should have felt bound to launch big aid programs for their fellow developing countries.

In 1976 the OPEC countries gave 2.7 per cent of their GNP in aid, a much higher proportion than the industrialized countries, none of whom has ever attained the UN target of 1 per cent. In the same year Saudi Arabia also stood as the world's second largest donor in absolute terms, after the United States.

At the Conference on International Economic Cooperation (the North-South dialogue) the oil producers adopted a policy of try-

ing to use their own bargaining strength to get the Western nations to give more aid to developing countries.

Yet despite their concern, several criticisms, mainly from Third World countries, have been leveled at the OPEC countries' aid record.

## Wrong Type of Aid

First, it is claimed that much of the aid from the OPEC states has been of the wrong type. It has come mainly in the form of project aid (loans tied to specific

development projects) or general purpose government-to-government loans made on an ad hoc basis, but not as continuous balance-of-payments support designed to offset the impact of high oil prices on non-oil developing countries.

It is true that Saudi Arabia has contributed to the International Monetary Fund (IMF) recycling facilities and the World Bank. It has also participated in the OPEC fund to finance the oil imports of non-oil Arab countries, the Arab-African Oil As-

sistance Committee (administering a small, similar fund for African countries), and in the OPEC fund for developing countries as a whole. But it has been notably unenthusiastic about all of these programs.

The suspicion exists that these shortcomings stem from the fact that there is more glamour attached to project aid, and balance-of-payments support administered to all developing countries on a regular basis could be very expensive.

The oil producers reply that

they fear that balance-of-payments support ends up being used to finance semi-luxury imports. This is partly valid, but it ignores the fact that there are many more economically beneficial imports brought into developing countries than just those associated directly with development projects.

## Uneven Distribution

Also, because of the mainly bilateral and ad hoc character of Saudi and other OPEC aid, the

distribution of money among the recipient states has been uneven.

The countries that have received most money have been Arab—particularly the "front line" states involved in the confrontation with Israel. Most of the funds received by Egypt, Syria and Jordan, including all the funds received for military purposes, have come in the form of grants (gifts), but the exact amounts have never been published and the flow has been somewhat erratic. There has been some dispute over whether at the Rabat summit in 1975

Saudi Arabia and the other donors committed themselves to making a series of regular payments or a one-time gift.

After the Arabs, the states that have been given the most aid have been non-Arab Muslims. Part of the aid flowing to these countries has come indirectly, through the Islamic Development Bank (IDB), which is based in Jeddah. Saudi Arabia is its major subscriber.

Apart from being owned entirely by Muslim or part-Muslim countries, the bank is Islamic in

the sense that it charges only service fee on the loans it makes. It avoids the whole interest issue by concentrating its work on making equity investments, industrial projects, intending to sell off its shares once the projects are working profitably.

The influence that Saudi Arabia exerts on Muslim countries through the IDB is difficult to identify precisely—the bank more a part of the current Islamic revivalism than a cause of it—but with its direct bias aid to Muslim countries, Saudi Arabia has exerted powerful pressures in favor of the redemptive of strict Muslim social order and legal principles. Importantly, Saudi successes have been Sudan and Pakistan.

In general Saudi aid is highly political—especially in the case of Egypt, Syria and the kingdom's neighbors in southern Arabia the Horn of Africa, where Saudis are anxious to root out all Communist influence.

It applies rather less to the IDB Development Fund (IDBF), the kingdom's own project aid which lends to all parts of developing world at interest rates varying from 3 to 5 per cent, operates invariably in conjunction with other Arab or non-Arab aid agencies because it does not have the staff to carry out its own appraisal work.

But even this institution is not lent to countries with which Saudi Arabia has had relations and it will give bigger loans better terms to friendly countries.

## Politically Effective

As to whether Saudi aid really is politically effective, it is some doubt. In the short term the kingdom's aid has been tremendously influential, helping to boost the kingdom into a regional power. The Saudis clearly very pleased about because they have strong political ambitions of the sort which Kuwait, the other major aid-giver, does not.

But in the longer term aid may not be so effective politically. Given the rate at which it is increasing its internal spending, the kingdom could find itself with much less to give away or lend and whatever influence it with former recipients would appear immediately.

## State Funds Designed to Funnel Capital to Private Sector

By Michael Field

**RIYADH (HIT).—**In an effort to stimulate the private sector in a country whose revenues from oil sales accrue to the central government, Saudi Arabian government development policy makes extensive use of six special state-owned funds.

These funds which were established or expanded after the oil-price boom, are designed to funnel long-term capital to the private sector to complement the state's own direct development spending.

The funds, which lend for industry, property development, "public investment," contractors' equipment, agriculture and social purposes, have committed nearly \$10 billion over the past three years.

Two special features of the Saudi private sector made this approach necessary. First, ordinary commercial banks in the kingdom have very little long-term money at their disposal: depositors prefer to hold their money short-term. Second, in the 25 years before the oil spurt, Saudi Arabia had to spread its oil revenues thinly and it never embarked on social policies designed to enrich its own people (in contrast to Kuwait, for instance). When oil revenues skyrocketed in 1974, the private sector lacked capital to participate in the development plan.

All these funds charge either no interest at all or very only a 2 per cent service fee. There are huge variations in size among the funds, in the degree of suc-

cess they have achieved and in their modes of operation.

• **Saudi Industrial Development Fund:** The SIDF was established in 1974 to lend to private industry which in practice means everything outside the hydrocarbons sector and has since been given the additional task of financing part of the expansion of the kingdom's electrical utilities. Last year it had \$850 million in capital paid up for the first purpose and a separate allocation of \$1.5 billion for the utilities. The fund, which is managed by the Chase Manhattan Bank, will lend up to 50 per cent of the capital requirements of any industry that the government considers desirable for Saudi Arabia. Ideally, these industries should be non-labor intensive and competitive with imports, though the government will give tariff protection to an uncompetitive industry felt to benefit the kingdom. To be eligible for loans, companies must have at least 25 per cent Saudi participation.

By far the largest section of SIDF's lending portfolio is accounted for by building materials industries: cement blocks, aggregates, ready-mixed concrete, clay bricks, steel mesh and aluminum products. Most loans have been for less than \$3 million, with the exception of cement plants. Other large loans have been for steel pipes, phosphate fertilizers and asbestos cement pipes.

The fund does not apply a commercial bank's strict feasibility criteria in deciding whether

to lend to candidate projects, and it lends to many that are admittedly speculative. Given such factors as the high rate of inflation in Saudi Arabia, which may render a project uneconomic between the start of construction and a plant's completion, the fund inevitably risks seeing some clients go bankrupt.

• **Public Investment Fund** (sometimes wrongly known as the General Investment Fund): The PIF was established in 1971 with a capital of \$200 million to take over the finance ministry's role of financing state enterprises expected to yield a commercial rate of return. In effect, this meant leading to private industry and state corporations and encouraging the private sector by taking equity stakes in new ventures that could later be sold to the public. The PIF's promoter (former Finance Minister Muneed Abdel-Rahman) believed that having a special government agency to do this would help ensure that government money was spent more carefully and with greater regard to obtaining a good rate of return.

The fund has worked out as planned. Its capital, which has been raised to just under \$3 billion, is now almost exhausted, and it has been committed almost entirely to state institutions. Very few state projects have been refused loans, and huge amounts have gone to Petrochem, the state petroleum corporation, and Saudi, the national airline. Recently, the fund has become involved in the eastern province electricity grid and in joint Arab ventures,

neither of which fall within its original brief. The fund could face problems in the early 1980s if repayment is slow from Petrochem and Saudi.

• **Real Estate Development Fund:** The REDF began operations in August 1975 with a capital of just under \$4 billion, which by the time its activities were suspended in May last year had been increased to \$6.6 billion. This fund has two categories of operation. First, it will lend interest-free to individuals who want to build their own homes. Borrowers must own the land on which they wish to build (only in the more fashionable parts of the largest towns have land prices soared totally out of reach of all but the richest Saudis in recent years), but thereafter the fund will lend them up to 70 per cent of construction costs up to a ceiling of 500,000 Saudi riyals, without regard to the size of borrowers' incomes. Repayments are spread over 25 years, after a two-year grace period, with 20 per cent forgiven at the end. For citizens who are too poor to obtain loans on even these generous terms, the ministry of housing has its own building programs designed to provide a minimum standard of housing for all Saudis.

Second, the fund lends up to half the cost of building commercial properties, mostly apartment blocks containing over 50 housing units each, up to a construction-cost ceiling of \$15 million. Loans must be repaid in five years.

During the 20 months to which

the fund was signing loan agreements, REDF made an average of 300 commitments per week, lending for some 100,000 housing units, of which half are now complete. Given an average of seven people per unit—the units are quite spacious even by Western standards—this means that the fund has already provided homes for 350,000 people.

• **Agricultural Bank:** Founded 15 years ago, the bank's capital rose to \$225 million by the last financial year. In addition to giving loans to individuals, companies and co-operatives for agricultural improvement schemes and new projects, the bank helps administer the subsidies that the government makes available for purchases of machinery, fertilizers and fodder. The rates of the subsidies vary, going up to 50 per cent.

• **Credit Bank:** This very small institution was established in 1971 for the purpose of lending to relatively poor Saudi citizens—with incomes not exceeding \$5,000 a year—for social purposes. Most loans are given for marriage and medical treatment, with other credits going to finance minor capital purchases by craftsmen. The bank's total resources, made up mainly of government deposits, come to only some tens of millions of dollars.

• **Contractors' Fund:** Surprisingly, this fund has not been very active, even though it has been established since 1974. With a capital now increased to \$70 million, the fund's purpose is to lend to Saudi individuals and companies to enable them to buy

more modern tools and equipment.

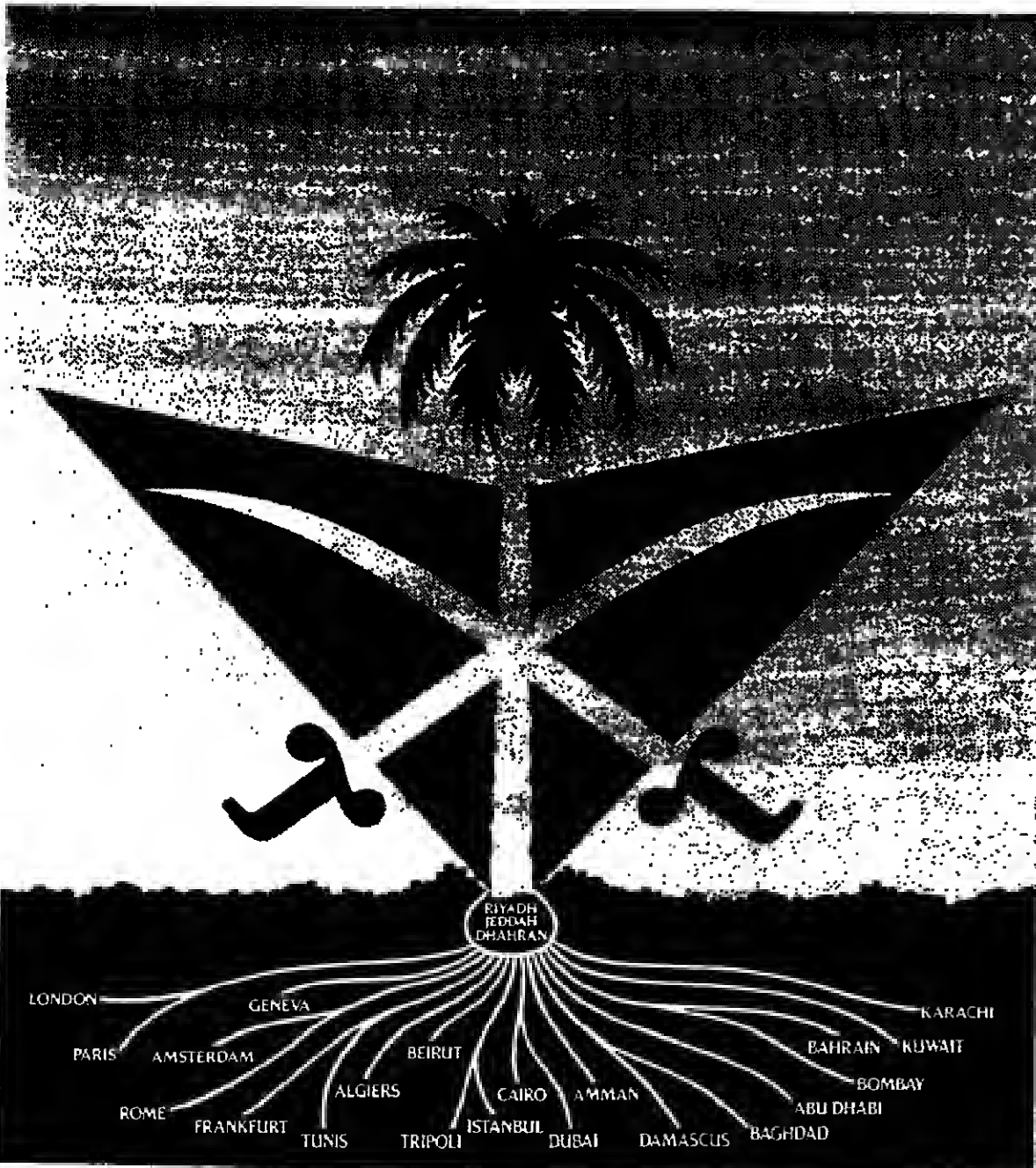
Recipient contracting companies may have foreign shareholders, but the fund will not lend to joint venture companies or to wholly foreign concerns. Loans may cover up to 75 per cent of the equipment or materials needed by the contractor, or 20 per cent of the value of the contract providing that it does not exceed \$300 million.

## Lightly Controlled

The three big funds—PIF, SIDF, and REDF—have committed the better part of the \$10-billion total fund program.

The operations of the six funds have been the source of an outpouring of funds from the government into the private sector that has been only lightly controlled. One effect has been to enrich the private sector. And given that many individual borrowers from the SIDF and the REDF were not exactly short of money themselves, in many instances the funds must simply have fueled foreign investment, land speculation, or the purchase of inventory.

Similarly, money from the PIF has sometimes been lent to private sector projects not because the promoters needed additional capital, but because they believed that having state capital in their projects would give them a stronger case when they wanted to persuade the government to make its purchases from their plant, to subsidize them, or grant them tariff protection.



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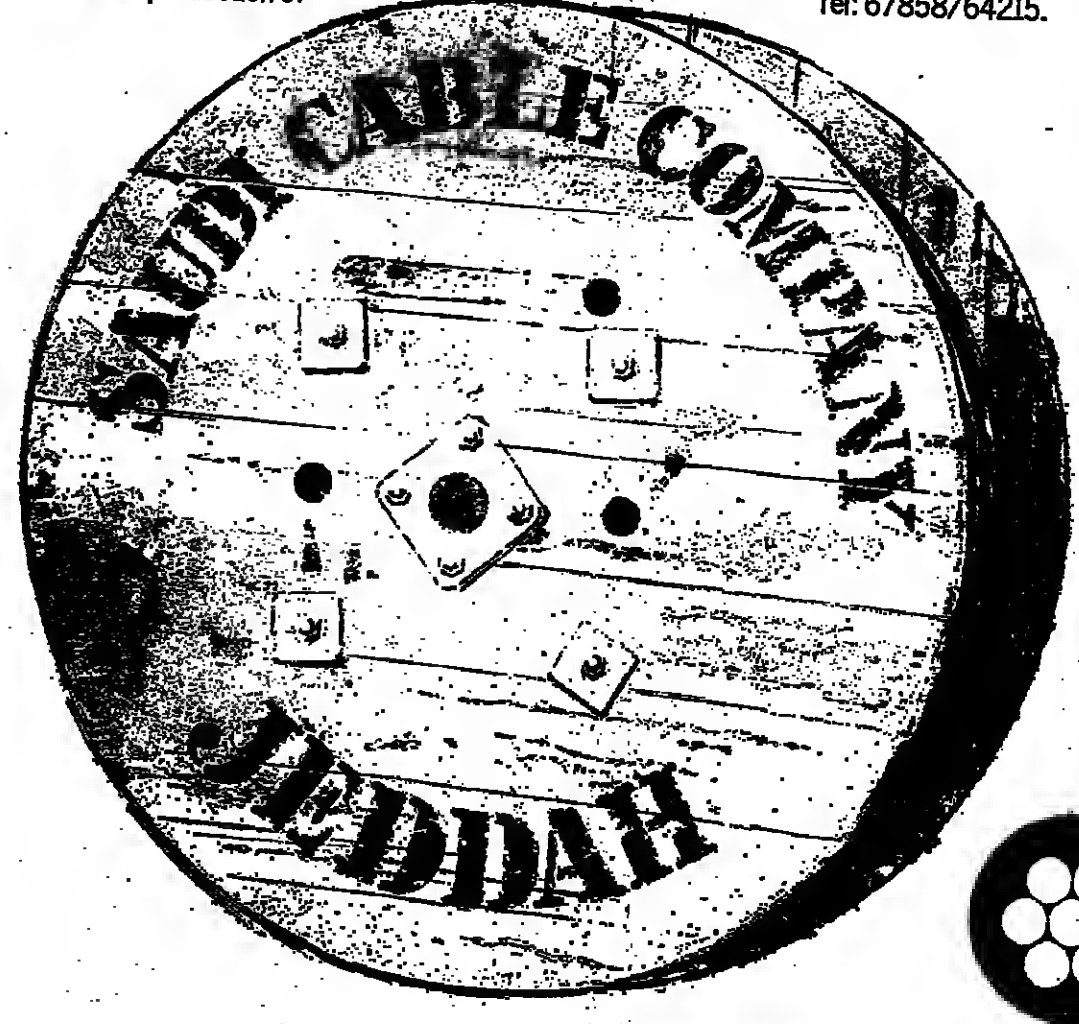
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مركز امداد





# Economic Future Is Dependent on Government Domestic Spending

By J.S. Skinner

RIYADH (HTT)—Saudi Arabia is as it intends to be the richest country in the world for a very long time. Everybody knows that Saudi Arabia is rich, but few people seem to know how long the wealth will last. For instance, big mineral deposits are indicated by the intensive current prospecting. Saudi officials expect the kingdom will become in the next few years a large world exporter of oil, copper, phosphates, gold and silver.

The magnitude of Saudi Arabian income is not the only unusual feature of the economy. It accounts for 99.9 per cent of total exports, and the full benefit of oil earnings accrues to the Saudi government. "So the government is the arbiter, to an extraordinary degree, of the country's flow inside the kingdom. The nightmare of all oil-producing countries is that in the process of converting their oil into money, they are converting it into 'open air' investment above ground, their wealth is somehow slip through their fingers and disappear so that they are left with nothing but some empty holes in the ground. Too rapid spending can cause domestic inflation, a problem compounded by the world inflation which in turn makes the local problem and cuts the value of foreign investments. In addition, the inflation simultaneously acts as an incentive for immediate spending."

## Flood of Money

When the flood of money—the epidemic of money—one writer called it—burst on Saudi Arabia in 1974, the kingdom prepared a ambitious five-year development plan that budgeted for expenditure of \$142 billion, more than \$17,500 per capita.

This ambitious effort created considerable tension within the government as well as enormous physical and practical problems in realizing the targets. The younger men were in a hurry to transform the country. Others with a more traditional approach feared the revolutionary effects that might be expected in the hands of a population being pulled out of the ancient subsistence life-style into the modern world.

Apart from the social and moral problems inherent in such a shock program, development led very quickly to serious practical economic problems in the form of domestic inflation. The official rate of inflation in 1976 was given as 32 per cent, although it was probably considerably more. It was enough to make the government realize that it was trying to go too fast and that it was time to pull on the reins.

Prices were rising because it was physically impossible to meet the demand generated by the government for the supply of goods and services. Ports were completely congested, labor was short, land was being hoarded and speculators were selling the opportunity to corner markets in all kinds of basic commodities. The Saudi government realized that its vast resources were being plundered by its own people and that it was losing control of the economy. This called for strong measures.

The reaction of the Saudi government to this situation was impressive and reveals some important aspects of the Saudi character. The government went straight to the root of the problem and tackled the bottlenecks that were creating the shortages that caused prices to rise. By taking tough measures, which were rigorously imposed, they cleared the ports in an amazing short time. The flood of goods from the ports onto the market brought prices down as merchants found themselves overstocked and short of cash.

To protect those on fixed incomes from the effects of inflation, the government cut taxes and duties, subsidized basic foodstuffs and set up a food corporation to ensure steady supplies, which would frustrate speculative hoarders.

Companies seeking the big development contracts saw their bids thrown back at them, and many contracts were trimmed after they were awarded, as an attempt to cool the economy.

Housing was the sector most dramatically hit by inflation. Only Saudis are allowed to own land, so property owners were able to charge what they liked to foreign firms, who in turn passed on the cost in their contracts to the government. New regulations took the pressure off the demand by stipulating that foreign com-

panies over a certain size should build their own accommodations. The government appropriated a sum of \$2 billion in the 1977 budget to start on a \$15-billion program to build 50,000 housing units. The heat came off the real estate market. Prices stabilized, and even rents of some lower-

quality buildings started to come down.

The market in undeveloped land was less affected, although prices are tending to stabilize at the very high levels that they reached during the past three years. Land is an attractive alternative to bank deposits for the private

Saudi citizen and dealing in virgin land has become something of a private Saudi game of Monopoly for grown-ups using real money in astronomical amounts. Undeveloped land plays an important part, too, in the distribution of wealth, since the government pays generous compensation for

private land it needs and prices and sheikhs often give land away to their relatives and retainers.

On the financial front, the Saudi Arabian Monetary Authority (SAMA) kept its severe restrictions on the commercial banks so that the ratio of commercial bank credits to private

sector imports actually declined in 1976, although currency in circulation plus all private sector deposits at commercial banks increased by 87 per cent and total government expenditure rose by 121 per cent. The proportion of bank cash and deposits with SAMA was maintained at the high level of 30 per cent of balance sheet total.

Overall, these measures have been remarkably successful. A recent study by foreign consultants for the Saudi government is reported to have concluded that there is no need now to cut back on plan targets because of lack of capacity. They apparently consider that the construction industry—which has come under the heaviest pressure—is working 20 per cent below capacity and can expand to meet the demand projected in the plan. They urged the government to spend more on public-sector construction projects and to lend more to the private sector.

The massive transfer of funds from the government to the private sector is fundamental to the Saudi policy of developing a thriving private enterprise economy that is not based wholly upon oil. A range of government development finance agencies has been established to assist the private sector in financing agriculture, real estate, industry, contractors and general investment. Through these agencies the government hopes that it can stimulate productive endeavor. It is the kind of policy one might expect from the Rockefeller family if they became as rich as the Saudi family and were given the hereditary presidency of the United States.

The development of the domestic economy inevitably implies diversification from oil. Emphasis is given in the plan to increasing agricultural production in order that the country may become less dependent on outside supplies of food. However, water shortages severely restrict the scope for expansion so that even the ambitious plan can only project a 4 per cent annual growth rate for this sector. More ambitious targets have been set for the manufacturing industry (14 per cent) and construction (15 per cent).

Saudi links with the United States together with the government's belief in individual enterprise are an indication that the influence of the nation's leader on world affairs will be a conservative one, aimed at enhancing international financial stability in their own interest.

With development and diversification well under way and inflation under control, the domestic economy can be expected to absorb larger investments each year. The contribution of the non-oil private sector to the GDP is growing fast—by 41 per cent in 1975 and by 48 per cent in 1976.

The large gap between government revenue and expenditure—\$7.5 billion in 1976—does not seem likely to narrow quickly.

## Developing a More Assertive Diplomacy

(Continued from Page 1.)

only high oil prices will provide an economic incentive to the development of alternative energy sources. Moreover, the price leap in 1974 was comparatively less harmful to an oil-rich country like the United States than to industrial competitors like Japan, whose diplomats have argued. Subsequently, too, Saudi Arabia has been a moderating force in OPEC.

### Rivalry

Nor does the rivalry between Saudi Arabia and Iran seem to have much current substance. On the contrary, the American concept, elaborated at the time of the British withdrawal from the Gulf in 1971, of a "twin pillar" arrangement of Iran and Saudi Arabia, together assuring the region's security, seems to be working better as the Saudis become more confident of their Arab prestige. The two regimes are coordinating their policies more closely on a range of issues, notably on the suppression of radical influence in the region, even as far afield as Ethiopia.

The latent fear of the Shah as an ambitious leader is being eroded here as Saudis realize that Iran, as an oil power, is a "has-been," whereas Saudi Arabia is growing in strength. The Shah's new moderation on oil prices reflects this shift in power. And doomsday scenarios of Iranian firestorm on the Arab side of the Gulf appear increasingly improbable in light of the growing collective self-interest of the oil states as a group.

Saudi Arabia is increasingly recognized as the prime Arabian state—the "father of us all," as Kuwait's rulers said in asking King Khalid to receive condolences on the death of the late Emir. Throughout the peninsula,

Saudi influence is growing, both politically and geographically, as demonstrated by the newly recognized Saudi corridor between Qatar and the United Arab Emirates, the planned causeway to Bahrain, the talks with North Yemen and talk of a Saudi-owned pipeline running south to the Indian Ocean between Oman and South Yemen.

The most divisive issue for the U.S.-Saudi partnership remains, of course, Israel. However, U.S. diplomats are convinced that Saudi Arabia has made strenuous efforts to facilitate a negotiated settlement and that the kingdom, in fact, would be even more flexible once it is convinced that Israel was sincerely ready to make compromises for peace. But it remains the one issue which could push Saudi Arabia into a confrontation with U.S. policy, in the shape of an oil embargo or punitive cutbacks on oil production.

In their thinking about Israel, Saudi ideologues have long since abandoned the old demonology which portrayed Zionist Israel as the Jewish-Jewish conspiracy. Now the Saudis emphasize the more reasonable point that the unsettled Israeli conflict is benefiting the rise of radicalism in the Arab World.

The initial Saudi position for a deal with Israel probably comes down to a credible formula of self-determination for the Palestinians and some arrangement whereby the Old City of Jerusalem would not be under Israeli jurisdiction, but the Saudis are not going to be stampeded into going "public." When U.S. administration officials repeatedly announced prematurely that Saudi Arabia was about to publicly back President Sadat, or sway Jordan, or embark on a Syrian-

Egyptian mediation, it reflected a basic misunderstanding of the Saudi technique: never go public until success is assured. The Saudis have waited for the right moment before committing their own prestige.

### New Style

Saudi Arabia's new power and style were displayed most conspicuously in connection with Lebanon's civil war. When the fray appeared beyond control, the Saudis summoned the main contending factions to Riyadh and used their full weight to extract a settlement. It was an impressive show of authority, probably unmatched by any Arab country since Nasser's death.

In their attempt to cast themselves in the role of the Arab world's "honest broker," the Saudis stress mediation and compromise. Saudi Arabia's concept of Arab unity differs from the radical Nasserite, Ba'athist or Qadhaifi approach espousing alignment as a prelude to permanent merger of governments and states. Instead, the Saudis seek consensus and cooperation among independent Arab states and leaders.

This foreign policy approach enhances the strongly personal style of Saudi diplomacy, which is managed by the handful of powerful royals, technocrats, led by the sophisticated Oil Minister Sheikh Ahmed Zaki Yamani, are increasingly replacing foreign technicians, but they remain firmly "executors," not "policymakers." As more trained Saudis join the foreign service, the kingdom will pursue more actively a whole range of interests currently left in abeyance: for instance, the battle over anti-boycott rulings in the United States—which could have compromised the Saudis' crucial modernization plan—large-

ly had to be left up to American firms with Saudi interests. So far, the shortage of trusted manpower, the Saudis' uncertainty about their own image, and their means of leverage, primarily the check-book, have meant that Saudi Arabia has wielded primarily a veto power rather than a decisive positive influence.

Saudi power, flowing from a barrel of oil, takes the form of aid, investments, arms purchases, access to oil and even huge construction contracts (which are consciously spread among friendly countries). While the exact distribution of Saudi largesse is a closely held secret, nearly 50 countries are said to be recipients of the \$10-billion annual allotment.

Those receiving the largest amounts are the "contestation states." Egypt gets \$2 billion in economic aid, plus \$1 billion in arms purchases. Syria gets around \$1 billion, paid less regularly because Saudi relations are less smooth. When Jordan is added, these three states get 40 per cent of total Saudi aid.

In this sweeping arc of new influence, Saudi Arabia also lays great stress on bolstering Islam. Viewed as the leader of the world's Muslims, the ruler of Saudi Arabia is addressed formally with the ritual invocation of long life "for the sake of Muslims and Arabs."

The notion of Muslim solidarity came about as an antidote to Nasser's radical pan-Arabism. It is still seen as a useful ideology for managing the stresses of change in this part of the world. Saudi diplomats also argue that Muslim solidarity offers a much broader potential base than Arab "unity"—another modern application of a venerable principle here.

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### Responsibility

SAMA's foreign investment policy is very conservative, and investments once made are seldom changed. The unsettling effects on world money markets if funds of this size were rapidly shifted about would seriously prejudice the present smooth and continuous placing of funds. Realizing how politically sensitive foreign investment can be, SAMA does not buy real estate overseas nor does it purchase more than 5 per cent of the voting stock of any foreign company. As a result, it claims that the return it gets is about 8 per cent on average as compared with 10 to 12 per cent on Kuwaiti funds. This is typical of the Saudi sense of responsibility in handling its enormous funds and its awareness of the need for a long-term approach.

The size of its revenue and overseas investments is giving the Saudis an increasingly vital and significant place in the world economy, despite the relative smallness of its own population.

For example, the proposed Common Fund, which is to be set up to finance United's Integrated Program for Commodities, is intended to have an ultimate capital of \$8 billion of which \$4 billion will be borrowed internationally. It is well within Saudi Arabia's financial scope to facilitate the financing of what is probably the single most important component of the new international economic order.

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## Saudi Students Prepare For Technological Independence



A young Saudi from the General Directorate of Meteorology receives instruction in communications techniques. He is just one of many Saudi Arabian students already benefiting from his government's far-sighted policy of giving high priority to technical education.

One of the published well-known aims of the Saudi Arabian government's five year plan (1976-1980) is to double the number of schools and the number of students receiving free education. In addition facilities for college students, now numbering some 14,500, will be increased to cater for nearly 50,000 undertaking higher education. As has been the case for at least twenty years, any student winning a scholarship to an overseas university has all expenses paid.

The ultimate objective of the government's enlightened approach to education can be seen as a desire to provide, from within Saudi Arabia, adequate technical manpower resources for the country's continued development.

By its very nature, however, the education programme is recognised as a long term strategy. In the meantime to speed the technology transfer to Saudi nationals, a number of government administrations have already organised the provision of specially devised technical courses covering the range of subjects and specialised skills needed within particular departments. Very often these training programmes are managed in conjunction with those overseas companies already under contract to give the temporary assistance needed for the de-

velopment of essential technical services.

Typical of this sort of technical development programme is one being masterminded by the Saudi Arabian Directorate of Meteorology. In England 230 young Saudis have already completed a full year of intensive language training as a preliminary exercise prior to their starting technical training.

In October 1977, by contractual arrangement with International Aeradio Limited (IAL), the U.K. based aviation technical services and communications Group, the students moved on to study Electronics, Radar and Communications Engineering at Ballbrook House, IAL's private training College in the West of England.

During the running period of IAL's present five year technical services contract with the Met. Directorate, the students about to commence training at Ballbrook House will qualify as engineers and technicians. The Directorate's long term technical systems development plans are therefore backed by a fully programmed training scheme. The scheme will ensure that in the not too distant future qualified Saudi nationals will be available to operate and maintain the advanced technical systems at present being implemented.



## A Massive Program to Modernize the Armed Forces

JEDDAH (HTT)—Defending the world's biggest pool of oil, Saudi Arabia has embarked on an expensive crash program to modernize its armed forces. But even spending and training as fast as possible, Saudi Arabia can expect to enter the 1980s with comparatively small military machine with only defensive capability or intentions, military observers here say.

In Saudi defense planning, military power often counts for less than political considerations: the need for internal security against a coup; development of military strength credible enough to disarm fellow Arabs' criticism and to delay an attacker, assignment of supply sources so as to win over other countries as firm allies.

Ultimately, Saudi Arabia relies heavily in the military sphere on its special relationship with the United States. In turn, the United States—through its military mission, 10,000 civilians here on defense contracts and big arms sales—is more deeply and directly involved in Saudi Arabia's forces than in any other foreign army except perhaps Iran.

The kingdom is a lucrative market for American armaments. After Iran and Israel, Saudi Arabia is the largest purchaser of U.S. military equipment. Many Saudi military purchases actually involve infrastructure like airports and harbors rather than deadly "end items."

The arms purchases—the bulk of which go to the United States—ran to \$7.5 billion last year (a quarter of the national budget)—of which U.S. suppliers got only \$2 billion compared to \$5.5 billion the previous year.

### The Arsenal

The weapons include Hawk anti-aircraft missiles, F-5 fighters, light naval craft, sidewinder and Maverick air missiles, tanks and artillery. Now Saudi Arabia has resumed its active quest of sophisticated F-15 Eagle fighters—the most lethal aircraft in the U.S. catalogue. The Carter administration has promised to make every effort to obtain congressional approval of the sale, with delivery in the 1980s.

A formidable sounding arsenal, this array of weaponry is only as good as the men who are

using it, and, Saudi Arabia is a long way from having a modern army. Most analysts believe that Saudi Arabia wants modern weapons and an army primarily for political credibility, not because the Kingdom imagines it can ever dispense with the help of more advanced Arab allies and ultimately the United States.

Saudi Arabia's growing nationalism and its developing consciousness of potential enemies. The nation's planners worry about three distinct possibilities. In the immediate present, Israel and the People's Democratic Republic of Yemen are a threat. The scenario of a possible Israeli raid on the oil fields is dismissed by most Saudi politicians, but the military chafe about it, rather resignedly. They can do more about South Yemen, that radical southern neighbor. When tension arose there early this year, Saudi troops moved nearer the border in a show of strength.

In the longer term, Saudi Arabia must ponder the balance of power with Iraq, Iran and even neighboring North Yemen. Today Iraq and North Yemen are allies of this kingdom, but Saudi worry about Iran "after the Sheik."

Like all governments, however, Saudi Arabia's leaders also want to forestall internal subversion—whether sabotage in the oil fields or a violent bid for power. Ironically, the single documented case of conspiracy here was centered in the air force a decade ago, and Saudi leaders have seen several Arab monarchies overthrown by armed forces. Although the Saudi royal family possesses a unique legitimacy in the Arab World, inherent caution has produced a major structural feature of the Saudi military establishment: the division of the country's armed strength into two completely separate forces, the regular armed services and the National Guard, a tribally-based, paramilitary force. The two military establishments complement each other, but also counterbalance one another in any political struggle. (Both the army and the National Guard also contain special sections assigned to guard against possible military insurrections.)

The dominant armed force in Saudi Arabia is the Royal Saudi Army—established at 25,000 men deployed in an armored brigade

and four infantry brigades plus anti-aircraft and artillery battalions and one parachute battalion. The air force (12,000 men) has made significant progress to its present complement: two fighter-bomber squadrons, two counter-insurgency training squadrons, two interceptor squadrons, two transport squadrons and two helicopter squadrons. The navy (3,500 men) is the least developed armed service. Alongside this establishment exists the paramilitary National Guard (also known as the White Army)—a "family army" intensely loyal to the leadership and a formidable obstacle to would-be usurpers. It has just over 25,000 men.

The two forces have separate roles, training, logistics and chains of command: the regular forces report to Defense Minister Prince Sultan while the National Guard is run by Deputy Premier Prince Abdullah.

The idea is that the National Guard—which is tribally based and primarily comprised of bedouin from the Nejd province in central Arabia, the origin of the Saudi family—would be loyal even if plotters succeeded in infiltrating the regular armed forces.

### High Loyalty

The high loyalty of the National Guard is reflected in the fact that they have responsibility for the oil fields. There are no regular ground troops stationed in the eastern province.

As the Saudi family has become more self-confident, this

practitioner-guard role has lost importance, and the National Guard—which is being modernized by Vinnell—will ultimately become a strategic reserve. (The King's personal protection is assured by the Royal Guard, a battalion of handpicked, fanatically loyal bedouin.)

The National Guard are spiritual heirs of the old Ikhwani, led by Abdul-Aziz in his reconquest of Arabia. Based on the concept of religious brotherhood, each Ikhwani community accepted arms and funds for its houses and schools and in return supplied fighting men. Today, the National Guard is still an institution for making payments to the tribes and getting funds to the villages. Regular pay is the only common denominator of all the different units: each is led by a local chief, and they vary in size and effectiveness from an occasional weekend appearance to the modern troops being trained by Vinnell.

In building a defense force, Saudi Arabia started with handicaps: no modern military tradition, reluctance to use foreign mercenaries because of distrust or to impose a draft for the same reason. Gradually, an army is taking shape, and compulsory military service can be expected as the government becomes more confident both in its own leadership and in its own internal security.

However, army-building suffers permanent constraints: a small population and the competition with the lucrative private sector for personnel. As a result, all

three arms of the services are understrength, leadership is slow to develop, and the army will never acquire the mass for an offensive capability. Even in the air force, where many royal princes serve, the highest youngsters gravitate to Saudi's, the national airline.

Responding essentially to political needs—giving the government a defensive force, mobilizing the tribesmen, underpinning internal security—the armed forces reflect Saudi politics in another form: deliberate diversification of the sources of supply. While governments often buy from different countries in order to play off rivals in a squeeze, Saudi Arabia shops around in order to get more international political support and to share the burden in military orders—\$7.5 billion this year.

### Equipment

In the army, most units have U.S. equipment although four separate mechanized battalions are being equipped with French tanks mounting a specially designed Shabine desert missile. Support items come from all over the world: radios from Britain, other stuff from West Germany, Taiwan, Korea, Belgium. The biggest contract of all belongs to Raytheon, which supplied the Hawk missile network.

In the air force, planes come from the United States: Lockheed not only supplies the Hercules transport but also a variety of training and other services; Northrop sells fighters and also

elaborate support programs. Many of the services come from Great Britain: despite selling the Saudis the over-sophisticated Lightning in the 1960s, British firms, notably BAC and Airwork, have major maintenance and training programs. Britain just signed its biggest-ever export deal—a five-year training program which will provide work for 750 British companies. Italy sells Agusta-Bell helicopters.

The Saudi navy is spending vast amounts in order to reach the level of a sophisticated coast guard: infrastructure and training, as usual, run up the bill. The hardware will come in the form of a small flotilla of swift missile-carrying boats.

The flow of arms to the kingdom presents absorption problems of course, but Saudi planners appear to accept a degree of wastage as the price for accelerated development in the military field. Riding herd on the American input is a Military Training Mission, comprising about 250 men from the army, navy and air force permanently in the kingdom.

The Saudi National Guard (SANG) management team, whose assignment is to mechanize four battalions and help modernize the entire guard, is made up of about 75 U.S. officers—plus the Vinnell Corp.'s civilian trainers (Saudis resent the term "advisers.")

The major American military presence in the kingdom is U.S. Army Corps of Engineers which supervises the billions of dollars of military-related construction. —J.F.

## Vinnell Corp: Remolding the National Guard ...

By Joseph J. Malone

JEDDAH (HTT)—The Vinnell Corp. of Los Angeles is but one of many enterprises whose presence in Saudi Arabia derives from its standing with that most important clearinghouse for military-related contractors, the U.S. Army Corps of Engineers.

What is Vinnell up to in Saudi Arabia? A total of 306 American contract personnel—not 1,000 as the media indicated—work with other foreign nationals, mostly retired officers and "other ranks," in training the Saudi Arabian National Guard (SANG). It does not train

the army, the air force or the navy. Other contractors approved by the Corps of Engineers (Ben-dix, Raytheon and Northrop, among others), and the Corps itself share these responsibilities.

SANG is a Nejd tribal organization. Its traditions are those of the Ikhwani (Bedouins), the irregular and virtually untrained force assembled by Abdul Aziz Ibn Saud, the founder of modern Saudi Arabia. Between 1902 and 1926, he used the Ikhwani to consolidate his hold upon Nejd and Hejaz, and ultimately to drive the Hashemites out of the Hijaz.

Thereafter and until 1965 the Ikhwani, now known as the White Army, had as its mandate the safeguarding of the royal family, a responsibility carried out erratically but with great ferocity and unquestioned loyalty.

SANG was transformed in 1965, after Nasser's Egypt became involved in the Yemen civil war and Egyptian aircraft bombed Najran and the port of Jizan, in Asir.

Modernization was initially entrusted to the British, but when a secondary mission was assigned to SANG—to support the regular armed forces in defense of the

kingdom—the need for American weaponry and training was realized. It was soon forthcoming for SANG's commander-in-chief is Prince Abdullah, the "thin man" in the ruling triumvirate behind King Khalid.

Hence, in 1975, the Vinnell connection. SANG had already given a good account of itself in border fighting with South Yemen forces in 1969. But in conventional — and — control, skill called for by tube-launched, optically tracked, wire-guided (TOW) missiles, 81 millimeter mortar

(Continued on next Page.)

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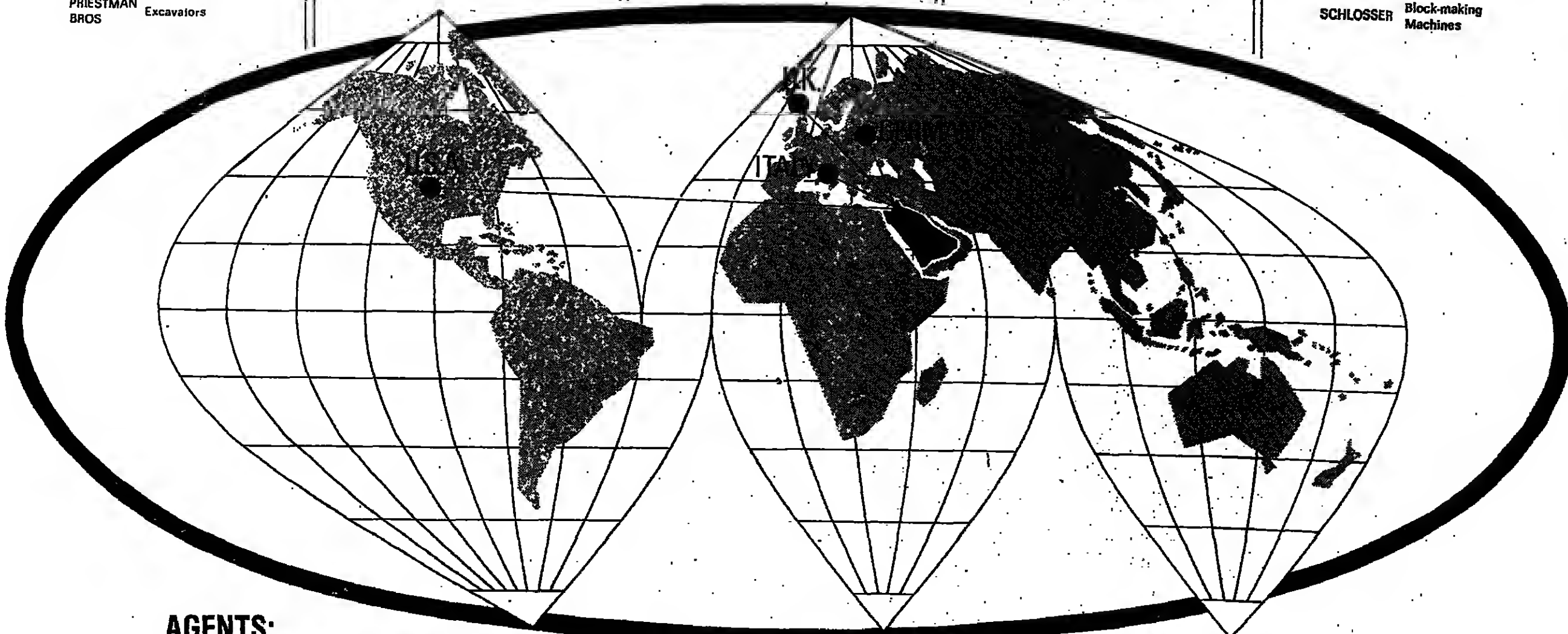
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## Banks Are Expanding to Keep Up the Pace of Change

forces

JEDDAH (UPI)—The man at the head of the line in Citi-bank does not want his funds to be counted. He wishes to have his money weighed because he wants it in coins, not in paper.

While some Saudi clients are still distrustful of currency notes—paper money was only introduced here a generation ago in the form of printed "pilgrims' receipts" for the foreign currencies they brought on their journeys to Mecca—the wash of money through this country is making more and more Saudis into the kind of customer which any bank would want.

Commercial banks are expanding tremendously to keep up with the pace of change. Meanwhile the Saudi Arabian Monetary Agency (SAMA), which is the central bank, regulates the monetary sector while simultaneously serving as the investment authority assigned to manage Saudi Arabia's reserves, now second in the world only to West Germany's, and to manage the bulk of external assets estimated at \$75 billion.

Because of the limited absorptive capacity of this economy, Saudi private investors also are anxiously exploring the opportunities for setting up Saudi banks abroad.

In Saudi Arabia, commercial banking often involves slightly special arrangements: for instance, the Koranic rule against interest means that instead of interest, banks here apply a fee schedule, charging borrowers and rewarding depositors at least those who want interest; some big Saudi depositors do not

want interest and simply leave their funds at the bank's disposal for safekeeping.

While profit figures are closely held and foreign banks are not obliged to disclose details of their activities, the 12 commercial banks here have all the business they can handle. Citi-bank in Riyadh (the only Western-owned bank allowed to operate in the capital) is reliably said to earn a substantial part of the American banking giant's global profit, officially admitted as 1 per cent, probably considerably more.

The top commercial banks here include the two wholly Saudi-owned institutions, which are the National Commercial Bank and the fast-growing Riyadh Bank, and two partly foreign-owned banks, the Bank al-Saudi al-Hilali (formerly the Algerian Bank Nederland, which opened here in 1926 as the Netherlands Trading Society) and Bank al-Saudi al-Farisi (ex-Banque de l'Indochine et de Suez), which continues French and Saudi interests and is particularly well placed in the eastern provinces.

Other foreign banks are the British Bank of the Middle East, Citibank, Banque du Liban et d'Orient Mer, Arab Bank, Banque du Caire (the only other foreign bank permitted in Riyadh), Bank Mellat, United Bank and Bank al-Jazira.

The two Saudi banks have the most branch offices (50) and by far the broadest deposit base. But the foreign banks have better access to international expertise. National Commercial Bank, for instance, is reappraising its links

with First Boston Corp., its U.S. adviser.

The latest special adjustment for banks operating in the kingdom is a radical one—a requirement by next May to "Saudi-ify" by selling off at least 60 per cent ownership to Saudi shareholders. Although Citi-bank has appeared reluctant to comply with the one-year deadline, other banks seem resigned to the inevitable.

The Saudi authorities' motive for the new law is clear. Banks have become a highly profitable sector, and it is government policy to move Saudi into any proven enterprise, both to share the profits and to acquire the expertise. For the banks, the change may bring some advantages in the form of fresh capital injections to make the necessary expansion as well as permits to open new branches. (At present banks are not allowed to have multiple branches in the same city.)

Expansion is essential in order to keep up with the hectic tempo of business. The money supply has expanded by 44 per cent a year since 1974. Looking for real estate acquisition and short-term financing to service the import boom is a staple of banking in this economy. The banks are scrambling to find staff and space to cope with the new business levels.

Manpower problems and the shortage of expertise are a serious bottleneck, but not likely a permanent one.

Probably the most customer-oriented banking facility in the kingdom is the money changer, Abdul Aziz Rajhi, born a nomad

and today heading an extraordinary financial empire estimated to be worth several hundred million dollars. Originally set up to facilitate pilgrim transactions, his internal banking services, used even by the royal family, are stoutly kept from becoming a bank so as to avoid falling under the restrictions applied to proper banks by SAMA.

As the regulatory authority, SAMA keeps commercial banks on a short rein. For instance, it recently allowed the establishment of the Saudi Investment Banking Corp. (a merchant bank owned by Saudis and the foreign banks—Chase Manhattan, Schroeder-Waggs, the Industrial Bank of Japan and Commerzbank), both to help provide some medium and long-term capital lending (presently hard to raise in Saudi Arabia) and to attract long-term deposits designed to break the traditional Saudi pattern of saving funds. However, when the new institution installed counters and other customer facilities, the government intervened to remind its manager that it was a merchant investment bank and not a commercial bank—and obliged the manager to burn the newly printed checkbooks. The bank apparently overestimated the degree of flexibility in SAMA's interpretation of its charter.

Under SAMA's generally conservative rules, banks in Saudi Arabia must conform to strict, narrow regulations about ratios of deposits, liabilities and reserves. This set-up has created temporary shortages of capital for expansion, but bank assets today are believed to have multiplied nearly five times since 1974

to a level approaching \$10 billion.

SAMA also handles monetary policy, and it labors under some of the same peculiar restrictions as the commercial banks. The normal instruments of a national reserve bank such as using a discount rate or extending credit to banks are unavailable to SAMA because they represent a form of interest payment. As a result, the main technique of SAMA has been to place deposits in commercial banks or withdraw them to cool or heat the economy.

The other enormous responsibility of SAMA is to manage most of Saudi Arabia's leaping surplus, which Morgan Guaranty Trust estimates at \$77 billion—double the officially admitted figure.

Shrouded in secrecy, the disposition of these funds abroad is managed by SAMA's small investment management team advised by resident specialists from Baring Brothers and White Weld.

Amid considerable controversy of late about the placement and magnitude of Saudi surpluses, it seems certain that the bulk of it—reportedly \$45 billion—goes into long-term, fixed-interest U.S. Treasury bonds and bills. Saudi officials like Finance Minister Muhammad Ali Abdul Khalil have vehemently denied the existence of any pact tying down Saudi Arabia to any disposition of its surpluses. A current trend seems to be for Saudi Arabia to move into medium-term securities instead of holding its assets in short-term paper.

A potentially important new venture for Saudi funds overseas was the creation two years

ago of the Saudi International Bank—a full-fledged merchant bank in London owned 50 per cent by SAMA, 5 per cent by Saudi banks and the rest by leading Western and Japanese banks. The most important non-Saudi partner is Morgan Guaranty Trust Co., which also provides the management. Still finding its feet, Saudi International Bank, if it proves successful, should become an increasingly preferred vehicle for SAMA placements.

While SAMA has no interest in seeing the Saudi riyal become an internationally traded currency, a small forward market has started in Riyadh, particularly in Bahrain's well-developed interbank market. The Saudis have been allowing some Arab countries to issue riyal bonds, and the authorities here are encouraging local businessmen to denominated import contracts in riyals.

Private Saudi banks are also beginning to appear overseas.

The Banque al-Saudi in Paris appears to be only a small beginning, and Saudi participation has been limited in joint ventures like UBAF and BAIL. Similarly, the Saudi "takeovers" in the United States—like the Detroit Cornprosewealth Bank and the National Bank of Georgia, both of which involved Ghafic Pasha, or the California banks of Adnan Khashoggi—remain on a small scale when compared to the size of banks which are now being discussed here as takeover prospects when even better-backed Saudis make their moves into the market, probably in the near future.

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## ...On Rapport and Mutual Respect

Continued from preceding page.

and air defense artillery were another matter.

The result was a two-way culture shock. SANG had adjusted to British intelligence for reasons that readers of Ghann's "books" or students of the "Lawrence syndrome" could easily understand.

Vinnell was a 7:00 a.m.-to-5:00 p.m. operation, with field manuals, organizational charts, and the whole Pentagon-spawned apparatus of bureaucratic warfare. Facing the bedouin guardians was a higher person for whom a seven-day leave schedule could include two weeks of leave moving with his tribe to new grazing grounds and much unaccounted for time in transit.

Fortunately there were and are Pakistani ex-officers and sergeant-majors and veterans of Ghann's Arab Legion, standing between Vinnell, check-books and bedouin tradition. Instruction is in Arabic, so most Vinnell contract personnel are veterans of Egyptian, Sudanese or Jordanian service.

Remarkably enough, the system works. There is mutual respect and good rapport between all echelons of SANG. From Prince Abdullah and his sleekly commanded and the Vinnell group down to the privates. The modern headquarters and training facilities near Riyadh are indicative of success in the modernization of what is now a 30,000-man force. It will not give Israeli strategists any sleepless nights, but that was never the objective. SANG will respond with spirit and effect if the regime is renewed and it will support the army if something goes wrong in the cities or along the desert frontiers.

If no major hostilities intervene, SANG will be as relaxed as its brothers in the army, happy in the relationships with its expatriate tutors. As for Vinnell and the American balance of payments, what could be better?

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# Dream of Giant Petrochemical Plants Slowed by Problems

By Charles F. Snow

**RIYADH (HIT)**—The dream is enticing. Capital-intensive giant petrochemical plants will process natural gas, previously flared for lack of a useful outlet, into valuable products for a hungry world market.

But some predictions warn that the dream could turn into a nightmare in which these plants would become high-cost competitors in a world awash with petrochemicals. Ultimately, the plants could stand as underused reminders of a gigantic miscalculation.

Saudi Arabia nonetheless appears determined to make petrochemicals a giant first step in its bid for industrialization. Petrochemical plants are the core of the two giant new industrial areas, Jubail and Yanbu, and the present investment target (liable for expansion) exceeds \$10 billion for construction of four giant ethylene-based petrochemical complexes.

The hour of decision cannot be indefinitely delayed because the enormous (and enormously expensive) gas-gathering system—the backbone of this country's industrialization—is becoming, somewhat belatedly, a reality.

## Saturation

Alarm bells are ringing in the oil industry. New petrochemical producers in the Middle East would be entering the market at a moment of saturation.

Industry spokesmen have weighed in. The president of Shell Chemicals U.K. noted rather condescendingly that "possession of a local petrochemical industry seems to have acquired the status once reserved for a national airline."

Equally blunt, Saudi Industry Minister Dr. Ghassan Al-Ghassani told a Bahrain audience last month that Gulf oil-exporting countries are determined to set up their own petrochemical industries in spite of threats of a possible trade war with the industrialized states. Admitting that projects costs will be 30 per cent higher than in industrialized countries (other estimates put the figure as high as 50 per cent), he warned that OPEC countries are determined to make a place for themselves in the market.

Perhaps as a precaution, Saudi planners are determined to see that in any future petrochemical projects the major foreign companies will be involved, not just as contractors or consultants, but as partners sharing the risks and opening up world markets.

The Saudi Arabian Basic Industries Corp. (Sabic)—which presides over the development of state-financed major industry—is discussing 50-50 joint ventures in petrochemicals with four major U.S. oil and petrochemical companies. All these projects are based on ethylene, a gas which is the major starting-point for a series of petrochemical deriva-

tives beginning with plastics and leading to pharmaceuticals.

The furthest advanced is a joint venture with Mobil for an ethylene-based complex in Yanbu. Three other U.S. companies—Exxon, Dow and U.S. Steel—have started feasibility studies on big ethylene-based petrochemical complexes for the Jubail industrial area.

In Jubail, the three other American companies are studying a broad product mix from three ethylene-based plants. A fourth possibility for Jubail is the on-again, off-again project with Mitsubishi. After planning for two years to participate in an export refinery and petrochemical complex at Jubail, Mitsubishi was reported in 1976 to want a three-year postponement because it forecast losses of \$80 million annually due to escalating costs (up from \$350 million to \$1.5 billion) and sluggish world demand. Apparently after intervention by the Japanese government's Overseas Economic Cooperation Fund, the project was revived last year, but the feasibility studies have yet to be completed.

A second area, under active consideration is production of chemical-grade methanol—used for making building materials, glues, solvents and anti-freeze. Sabic is negotiating with a con-

**Alarm bells are ringing in the oil industry. New petrochemical producers in the Middle East would be entering the market at a moment of saturation.**

sortium of companies including W.R. Grace, Mitsubishi Chemical and C. Itoh of Japan, and with another group comprising Celanese Chemical and Texas Eastern. Chemical fertilizers have been discussed, and the most advanced are a urea scheme to be carried out in association with Britain's ICI and an ammonia urea joint venture with Taiwan Fertilizer, which Sabic recently cleared for rapid action.

At the same time, however,

both the Saudis and their potential foreign partners are taking a very close look at petrochemical proposals before coming to any hard decisions.

An initial bitter experience occurred during Saudi Arabia's only venture so far into petrochemical production.

The Saudi Arabian Fertilizer Co. (Safco) was formed in 1965 as a joint venture between Petro-min (51 per cent) and private Saudi investors (49 per cent) to

produce urea. Occidental Petroleum was signed up to provide technical services against 10 per cent of the company's "surplus income" and to market the output for a 5-per-cent commission. The Damman plant began test production in 1970, but immediately ran into problems: Corrosion (caused by an unexpected increase in the salt content of the water used in the cooling system) resulted in severe restrictions on production, which is

only now reaching its planned 300,000-ton capacity.

At the same time, world prices for urea slumped from \$95 a ton to \$45 a ton—despite a leading U.S. bank's confident forecast that the price would never fall below \$65. Safco was selling below cost, and it was not until 1974 that it made a profit for the first time.

Safco refused to pay Occidental \$2.5 million (10 per cent of its initial profits), and Occidental went to arbitration. Petro-min and Safco counter-claimed \$180 million for over-claimed losses due to the plant's failure to reach its specified capacity. Eventually,

the dispute was settled late last year with payment of \$7.5 million to Occidental and termination of its rights under the management and marketing agreements.

Against this background, the Saudis are proceeding cautiously as they venture into an industry subject to cyclical vicissitudes and involving the establishment of high-technology operations in an underdeveloped country.

To attract foreign partners—whose participation is vital in managing the projects and, above all, in marketing their output—the Saudis are offering a variety of inducements ranging from the conventional (tax holidays, nominal rents, cut-rate electricity and water) to the unconventional, notably the possibility of guaranteed long-term access to up to 250,000 barrels a day of Saudi crude. Critics are inclined to see this crude supply as a more attractive incentive to petrochemical investment than any likely return on capital. Saudi Arabia's inherent economic handicaps as a petrochemical manufacturer can be offset or at least disguised by manipulating the costs of capital and feedstock, but ultimately the nation's production will have to face the competition of world markets.

## The Markets

The domestic market for Saudi petrochemicals is so small in relation to the scale of the proposed plants as to be non-existent. Where markets exist in the Middle East, notably in Iran and Iraq, governments have their own plans to supply even the smaller Gulf states have their own plans for petrochemical projects; if carried out in an uncoordinated way, the combined result will be massive regional overcapacity. Local markets are unlikely to absorb more than 20 per cent of production, even in optimum conditions.

If Saudi Arabia proceeds with its planned petrochemical plants their output must be aimed squarely at the markets of the industrial world and, given the economics of transportation, especially Western Europe. Even after writing off high investments these plants could see their operating costs pushed over Western levels by productivity and maintenance problems. The result would be a subsidized output.

Spokesmen for the petrochemical industry have reacted defensively. Some urge the potential new producers to build up the domestic market by importing intermediate products and manufacturing end-products before embarking on the production of petrochemicals themselves. Other flatly warn that Western European governments may erect barriers to protect their petrochemical industries from being submerged under a flood of cheap imports produced with hidden subsidies.

OPEC countries retort that they would acquire only 7 per cent of projected world demand if they built ten ethylene plants with outputs of 450,000 tons year.

The OPEC countries are determined to derive the maximum possible value from their natural resources and a general feeling is crystallizing among them that they are being denied free access to the developed countries' markets.

OPEC Secretary-General M. Hammed Ali Jahid recently issued a warning that OPEC countries are tired of heading off the problems of surplus petrochemical capacity while no plants are continually being constructed in the developed countries. As an echo to OPEC's previous success over crude oil prices he added: "It must say in seriousness that unless great progress is made in reducing the imbalance, our member countries will have no recourse but to adopt collective strategies to achieve their aims." Recent Saudi Arabian policy statements in weight to this declaration.

## The New Aramco Is Industry's Centerpiece

By Joe Alex Morris Jr.

**DEAHHAN (HIT)**—The centerpiece of the Saudi oil industry is the imposing edifice of the Arabian-American Oil Co. (Aramco).

Once wholly-owned by a combine of four U.S. oil majors—Exxon, Texaco, Standard Oil of California and Mobil—Aramco is now 60 per cent controlled by the Saudi government and is on its way to being taken over 100 per cent.

In fact, negotiations have been completed long since between the U.S. shareholders and the Saudi Oil Ministry, but the final signa-

ture is being delayed while the Saudis work out the new chain of command for their oil industry.

Ironically, after this semblance of nationalization, Aramco is destined to become even more important than it was in its former role, when it was already the world's biggest producer of crude oil.

Aramco always has been more than just an oil company. It is a national institution in Saudi Arabia—a big, friendly bear of a megabusiness whose top executives look visitors straight in the eye and invite them that Aramco does well by doing good.

Doing good, in this case, extends far beyond being the world's

single biggest oil-producing company. Along with the U.S. Corps of Engineers, Aramco has assumed the role of prime contractor in the massive uplift program to transform the oil-rich eastern provinces.

Aramco is a remarkable organization, and the last thing the Saudis want to do is to dismantle it in the process of assuming overall charge of their own oil industry. Their aim is to "Saudi-ize" the company, build on it and use it to the maximum.

What they have in mind is the emergence of a genuine Saudi structure underpinned by the best U.S. technology and expertise supplied by four of the world's top multinationals—a veritable powerhouse for development both in the oil industry and in other sectors of the economy.

In the planned new structure of the projected Saudi National Oil Co., Aramco will survive under its present name. It will be the operating company responsible for getting the oil out of the ground and loaded into tankers or flowing into the pipeline.

Besides Aramco's 26,500 employees working in some 80 Aramco departments—of which only 20 are involved in searching for, drilling for, producing, refining and shipping oil and maintaining facilities—another 35,000 sub-contract employees are working directly on the construction of two massive development projects entrusted to the company by the government: an electrification program in the eastern province and the supply of natural gas to two proposed industrial areas.

Aramco continues to prospect for oil, primarily in the vast and reaches of the "Empty Quarter" desert. Every year Aramco continues to find more new oil than it produces. The company also is starting a program to boost installed oil-production capacity and export capacity to 14 million barrels per day (bpd), by 1980 and possibly to 18 million bpd by 1983. In addition, Aramco is committed to a massive pressure-maintenance plan which eventually will involve injecting nearly 15 million bpd of treated seawater into the oil reservoirs so they can be efficiently emptied of oil.

## Trust

With all of these building programs, the Saudis, while acknowledging the technical expertise which they need, are suspicious of how their money is being spent. They often complain of conspiracies by manufacturers to fix prices on them, most recently in bidding for a multi-billion-dollar new telephone network.

However, the Saudis trust Aramco. The company's image dates back more than a quarter of a century, to when it first set up something called the Local Industrial Development Department. The idea then was to encourage Saudis to set up battery plants and the like and to support them by buying their output for the first seven years before turning them loose on the market.

One result has been the huge industrial park sprouting up at Damman, not far from Aramco's headquarters.

In an era when most governments in the area have been

more concerned with kicking out foreign oil companies than keeping them, Aramco's record is unique. There are many reasons, but perhaps the most important is the underlying structure of the company.

Aramco's four parent companies gave the company more independence than is usual with oil operations abroad. The company even moved its headquarters from New York to Saudi Arabia. Although it took many of its top people on direct transfer from the parent companies, once they went to work for Aramco, they became Aramcoans.

"It's a matter of commitment," says former Aramco chairman Frank Jungers. "We've always operated as a company as opposed to a subsidiary. We hire our people directly, and they become committed."

Mr. Jungers was dropped recently by Aramco, apparently because both the Saudis and the parent companies felt he was not helping U.S.-Saudi relations. To help the new chairman, James Keibler, some new adjutant positions have been created and then, unusually for Aramco, filled from the parent companies.

It is clear that both Saudi Arabia and the U.S. parent companies intend to let nothing interfere with their continued close cooperation.

For the United States, Aramco is a multi-billion-dollar nexus with political overtones as well as economic benefits. Aramco actually promotes a "Buy American" policy on its own projects as well as throughout Saudi Arabia. Company spokesmen say that for each \$1 billion that goes to American contractors 60,000 jobs are generated in the United States. For Saudi Arabia, Aramco tries to "bring together American ties and associate ourselves with the aspirations of the Saudi people."

## First Loyalty

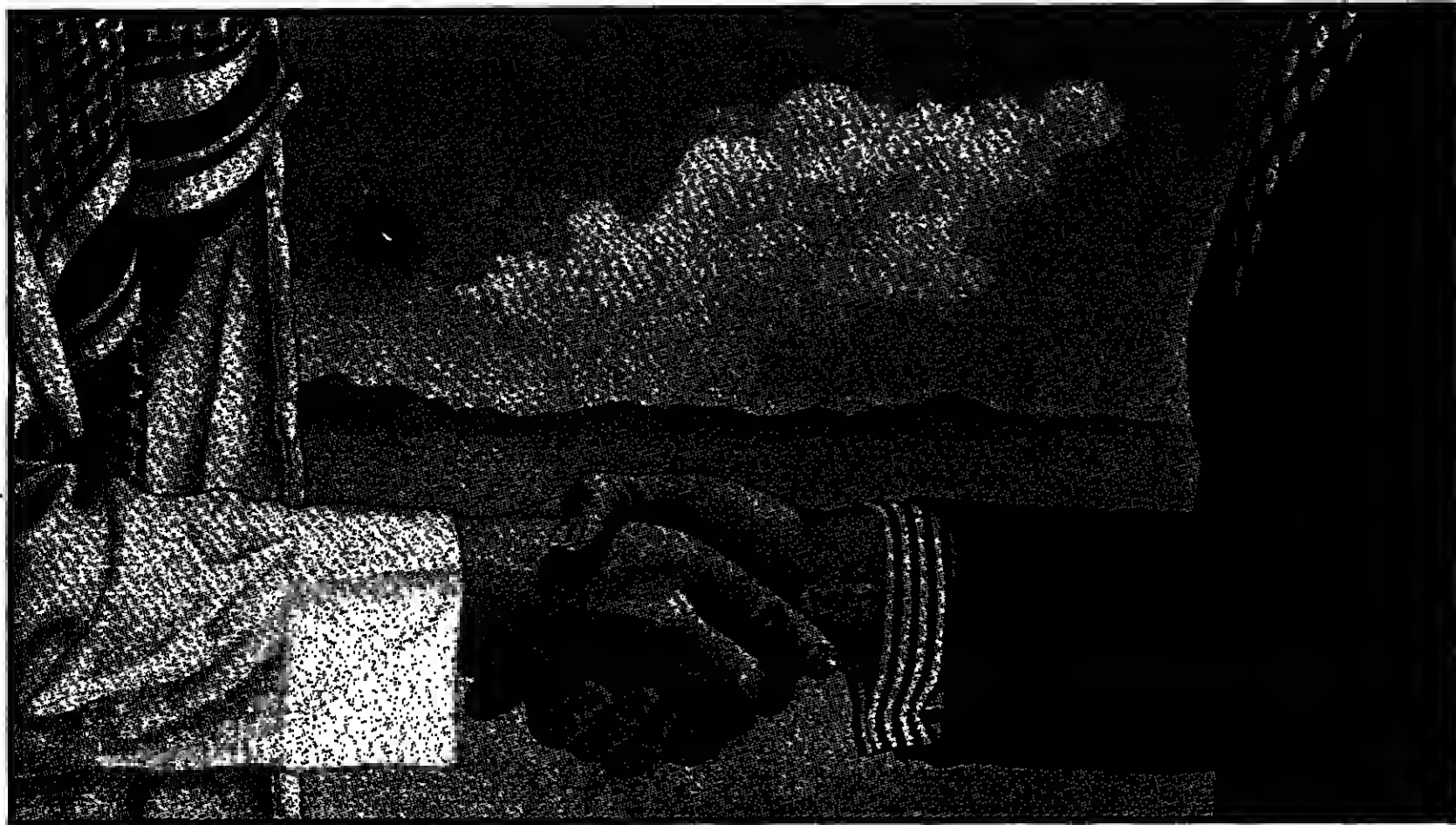
The U.S. parent companies have no interest in gouging the Saudi government on Aramco's major development projects. On the contrary, they want to maintain good relations with King Khalid and his palace to assure themselves of continuing oil supplies in coming decades.

Company policies have always been based on the principle that Aramco's first loyalty is to Saudi Arabia. This came out during the 1973 Arab-Israeli war, when Saudi oil was denied the U.S. Shah Feroz, and later when the Saudis joined in an Arab oil embargo directed against the United States and the Netherlands. In both cases, Aramco as the operating company did as the Saudis directed.

The decisions, of course, had passed to the various governments via the Organization of Petroleum Exporting Countries (OPEC). But there is little public awareness, then or now, that the enormous price increases provided a bonus not just for the producing countries, but for the oil companies as well.

Such factors have helped to solidify the close relationship of Aramco, its old parent companies and the Saudi government. They have led Aramco into a new and developing role in Saudi Arabia where the potential for expansion seems limitless.

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## West Is Relying on Nation's Willingness to Expand Oil Output

(Continued from Page 1.)

to reach 14 million bpd by 1981 and 16 million bpd by 1983. However, the mere installation of this level of output capacity is not necessarily the end of the matter. Saudi Arabia's plan to use it to the maximum. In fact, the possession of spare capacity, even if it is not used, adds to Saudi Arabia's political and economic weight within OPEC and internationally. The degree of production flexibility enjoyed by the kingdom is unique among oil-producing countries. It has the capacity to raise output by one or four million bpd while the same time having the financial strength to be able, theoretically at least, to reduce it by a similar amount without suffering any economic ill effects. On the other hand, it can be argued that the possession of such spare capacity will place the Saudis under irresistible pressure to use it and when the world really needs the oil.

### Harnessing Gas for Export

HAHRAN (UPI)—Saudi Arabia, already the oil colossus, is now treading a quarter of the world's reserves of crude petroleum, now is moving into a similar commanding position in natural gas.

At present, gas is wastefully burned in plant torches as it is burned off after emerging from the ground with the oil. When needed, it will make Saudi Arabia the world's largest exporter of gas liquids by the mid-1980s. As will also be turned into methane to power industries and use to serve as petrochemical feedstock in the two planned industrial parks at Jubail and Yanbu.

to harness this new energy, Saudi Arabia has embarked on a \$4-billion gas-gathering and treatment program to handle all gas output emerging from a production of 12 million barrels a day (considerably more than the present oil production of 8.5 million bpd).

Officials of Fluor—the U.S. company which, along with Shell, is the most active firm in the country and which is managing construction of the gas system for Aramco—the project does not involve remarkable engineering expertise. But like almost every other fast-developing country, it is noteworthy for the scale of the undertaking. The project entails construction of an all-pipeline being built by Exxon and Mobil—right across

the Arabian peninsula from the eastern province hydrocarbon fields to the new industrial area at Yanbu on the Red Sea.

When the work is completed, the Saudis will have a truly integrated system that will sort out the different kinds of gas and get it to places where it can be used productively.

Other oil-producing countries are also planning to put out their flares and start harnessing their natural gas. But their plans are dwarfed by the Saudi project.

—J.S.

### Production Ceiling

The present limit of 8.5 million bpd on Saudi production grew almost by accident out of the confused situation after the ending of the Arab oil embargo and embargo measures in 1974. This had been the level at which Saudi output was running before the embargo; afterwards it solidified into a government-stipulated maximum. In any case, from 1974 to 1976 it remained purely theoretical due to the stagnation in world oil demand, deflated as it was by the recession and the fourfold price increase of 1973-74. In 1977 it was lifted in an effort to curb the enthusiasm of the OPEC price hawks.

### Natural Gas Liquids

However, heavier gases are easier to liquefy and handle: Saudi Arabia has decided to limit its exports to natural gas liquids (NGLs), propane and butane, which liquefy easily as liquid petroleum gas (LPG).

Although gas was difficult to market in the 1960s because interest was limited except for Japan, it is considered now a precious fuel, and OPEC countries are seeking ways to maintain higher prices as they succeed in doing with oil.

Envisaging its own exports of natural gas liquids, Saudi planners expect availability of NGL to rise from the present 260,000 bpd to 450,000 bpd in 1982, and then to 650,000 bpd by 1985. By that time Petromin predicts Saudi Arabia will account for 15 per cent of world production of NGL and one-third of NGL moving in world trade.

Other oil-producing countries are also planning to put out their flares and start harnessing their natural gas. But their plans are dwarfed by the Saudi project.

But now that it has been reimposed, the indications are that it will not be lightly given up.

The fact that a production ceiling is in existence at all is, of course, a gesture both to the other OPEC producers and to the powerful lobby in Saudi Arabia which argues that the kingdom should not produce more oil than is strictly necessary to cover its financial needs. Almost all Saudis feel the force of this argument, but the leadership at any rate realizes that it cannot withstand the practical exigencies of the world thirst for oil.

However, they resent the lack of appreciation in the West for the sacrifice involved for Saudi Arabia in producing the extra oil. And sacrifice it certainly is, since the Saudis are depleting this exhaustible resource by producing twice as much as they need to return for cash proceeds, which are subject to relentless erosion by inflation and currency fluctuations and are besides a terrible headache to invest.

There is also a feeling of disappointment among many in the

kingdom that Saudi moderation on oil production and prices has elicited such meager dividends from the West on key issues. The continuing close relationship with the United States, and the sense of security which this must provide in troubled times, are no doubt plus factors, but this relationship would probably be their for the asking in any case. On the vital, all-important question—U.S. pressure on Israel to bring about a Middle East settlement acceptable to the Arabs—precious little of a concrete nature has been forthcoming.

### The Question

At bottom the issue is one of leverage. Ironically, by helping to damp down demand for oil, the price explosion of 1973-74 effectively trimmed the bargaining strength of OPEC in general (namely, the abortive North-South Dialogue) and Saudi Arabia in particular. But when—and the present price freeze will tend to make it happen sooner rather than later—world demand

starts to bump up against the Saudi ceiling and the pinch is felt, Saudi Arabia's international leverage will be restored with a vengeance. The only question is: When the time comes, will the Saudi leadership have the necessary self-confidence to exact a suitable quid pro quo for meeting the world's oil needs?

In weighing their eventual production decisions, the Saudi leaders will have to take into account a wide range of factors, notably: progress towards a Middle East settlement (whatever point may have been reached by then); Western cooperation in defense and economic development projects in Saudi Arabia; the health of the world economy; Western responsiveness to Saudi and technical questions, such as the proving of additional reserves and the performance of the oil reservoirs under conditions of increasing production.

Exactly where this cocktail of determining factors will lead is anybody's guess at the moment. What Saudi Arabia does on production will, of course, have a

decisive influence on prices as well. Within the OPEC context, Saudi Arabia has emerged from last year's tug of war as the undisputed price leader—a development greatly facilitated by the conversion of the Shah of Iran, after a pragmatic about-face last November, to the Saudi price-freeze platform. Though resentful, the more hawkish members of OPEC have now more or less accepted the inevitability of a price freeze through to the end of 1978.

### The Price Freeze

Saudi officials generally justify the kingdom's price-freeze policy on the primary grounds that the current soft market for crude, with prevailing surplus availability estimated at two million bpd, cannot sustain any price increase, and secondly that it is essential for the well-being of the world economy. The opposition, for its part, stresses the loss of purchasing power through inflation and the slide of the dollar, and often persuasively argues that

the world will never get its energy balance right unless oil prices are raised over a period of years to match the costs of alternative energy sources. The Saudis feel that, given the yawning price/cost gap between oil and alternative energy sources at present, such medicine, even in gradual doses, could well finish off the patient. To which the others might riposte that a prolonged freeze followed by an almost inevitable jump in prices would probably have much the same effect.

However, the disagreement is perhaps more apparent than real since the Saudis, too, recognize that in the longer term oil prices must rise. As Sheikh Yamani said recently: "Sometime in the future energy consumption will rise to a level which will make an increase in oil prices inevitable. What we have to do is to avoid any sharp jump, as there was in 1973-74, by allowing for whatever market forces bring about."

A change expected this year is the takeover of Aramco and the

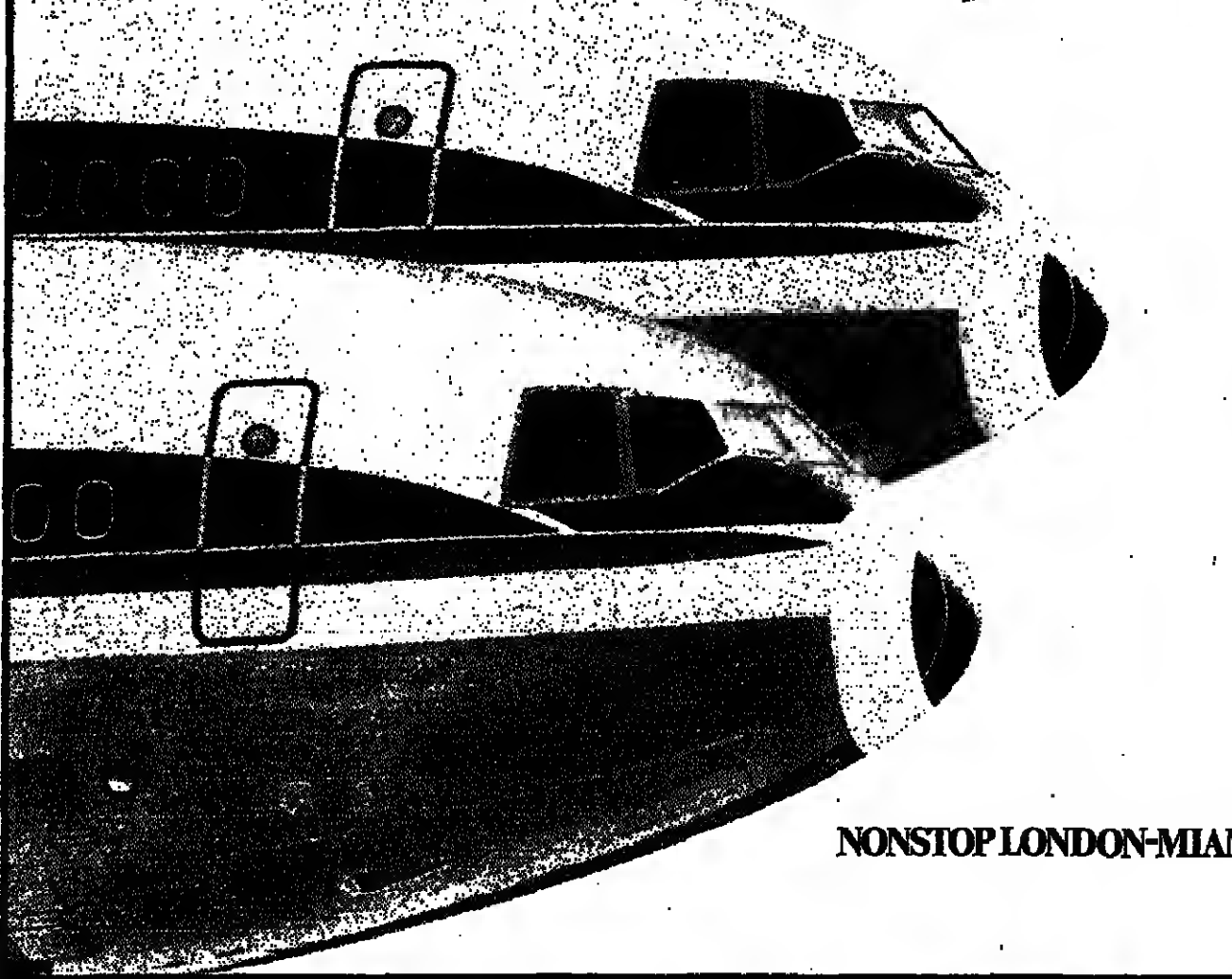
establishment of a new Saudi structure to manage the kingdom's oil. The new financial terms for Aramco, retroactive to 1976, have been set and, in practice, are already being implemented.

The new Saudi Aramco (it will keep the old name) will continue to be the operating company. The former U.S. owners, the four oil majors, will continue to supply technical, operational and management services and carry out exploration and prospecting. For these services, the American companies will be paid fixed fees per barrel of oil produced and will continue to buy-up the bulk of Saudi output.

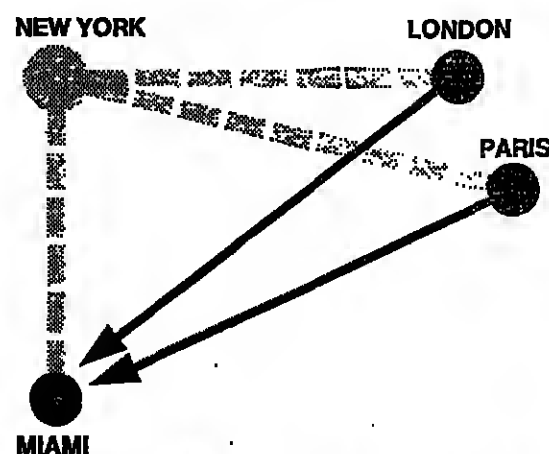
It is planned to set up a new Saudi National Oil Corporation to take charge of all oil industry ventures. Under it will be the new Saudi Aramco; Petromin (the present state oil agency) which will handle oil sales in the kingdom; an international marketing organization to handle foreign sales and, possibly, a tanker company.

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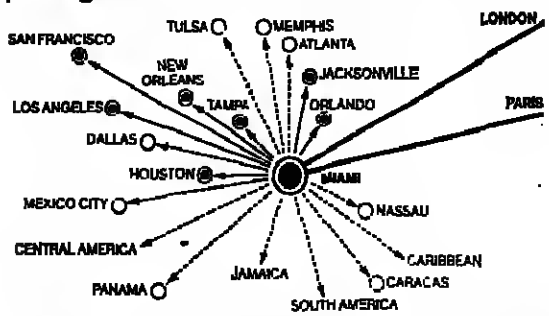
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# Royal House of Saud—World's Richest, Most Powerful Family

(Continued from Page 1.) his later life, King Faisal nonetheless steadily moved the kingdom along the path of change, overriding objections from religious extremists to innovations like television and women's education.

The new generation of leadership coming from still younger sons of Abdul Aziz will have to preside over the present era of more active Saudi foreign policy and accelerated social change at home. In this period, continuity is second only to legitimacy as a key political asset of the Saudi dynasty.

## Succession

There is no firm, accepted rule for succession of the Saudi royal line. Succession has swung between the Ottoman system of passing power horizontally to the eldest direct descendant, usually a brother, and the British system of crowning the eldest son. At present the Saudi succession is sliding along a line of brothers, sons of Abdul Aziz the founder. But Abdul Aziz passed over several living brothers of his own to pass the crown to his son Saud.

King Saud, a friendly but shortsighted spendthrift, ruled for a decade, but his lack of political vision and his ruinous extravagance nearly brought disgrace and bankruptcy on the family. He was finally deposed in 1964 in favor of Prince Faisal. An additional factor was his bid to

bypass the will of his revered father and reroute the succession from his younger brother to his own huge brood of sons.

There are still 32 living sons of Abdul Aziz, including King Khaled and Crown Prince Fahd. The youngest, Prince Hamud, the 37th son, is 30 years old. When the founder's sons are exhausted, the family will have to decide whether to follow the system usually adopted in the past: passing the throne down from the last son of Abdul Aziz to his son.

The alternative seems messy. Kingmakers would have to go back up the line to the elder grandsons of the founder: the remaining sons of Saud's 46, Faisal's eight, Khaled's six, Fahd's etc.

## Thirty-Seven Sons

Saudi founder Abdul Aziz had 37 sons (offspring of his policy of siring children from wives chosen to cement tribal alliances), more than 100 grandsons and, even by the most modest estimates, 500 or more great-grandsons. He also had 10 brothers, two of whom—Ahmad and Musaid—are still alive and influential and all of whom had numerous children.

Compared to the Sauds, the inheritance of the Rockefeller—whose founder, John D., had three brothers, one son, five grandsons and 10 great-grandsons—is simple. The Rockefeller males can comfortably meet on a cabin cruiser or around a dinner table for

family conferences. Mellon men could easily fit into a small executive jet and chart the future of the Mellon Bank, Gulf Oil, Alcoa, Rembrandt and other family holdings. The more extended Rothschilds would need one of their smaller chateaux for a family get-together.

But to transport the heirs of Abdul Aziz together, it would take a flight of Boeing-74's or the QE II. A full family conference would split the seams of almost any conventional hotel. So the Sauds imitate any company with a mob of shareholders. They have a board of directors which represents the various branches of the family. It is called the Council of Elder Princes. It makes decisions the chairman of the board—the King—cannot or will not make alone and it considers delicate family matters.

## Inner Council

While the inner workings of this royal corporation are shrouded in impenetrable discretion, it is believed that this inner family council includes Prince Muhammad (eldest surviving son of Abdul Aziz), King Khaled, Crown Prince Fahd, National Guard commander Prince Abdullah, Defense Minister Prince Sultan and Prince Abdul Muhsin, tenth surviving son of Abdul Aziz—plus Abdul Aziz's two surviving brothers, Ahmed Al-Saud and Musaid Al-Saud.

An even smaller group, apparently the king and his three half-

brothers holding Cabinet posts, constitutes an "inner Cabinet," which takes the key political decisions about national policy, knowledgeable sources say.

The Council of Elder Princes, however, is the body which takes the corporate family decisions—such as the decision to depose King Saud. A decade later, minutes after King Faisal's murder by the deranged fellow-royal, the council met and determined the succession by confirming the choice of Khaled as king and prime minister and choosing Prince Fahd as crown prince and deputy prime minister.

Four days later, the council extended the succession decision by, in effect, naming a crown prince to the crown prince: Abdullah, Abdul Aziz's sixth surviving son, was appointed second deputy prime minister.

## A Delicate Matter

Along the way some sons of Abdul Aziz were passed over. Only the council could handle such a delicate matter. After King Saud's ouster and King Faisal's assassination, the next in line was Muhammad, fourth son of the founder. There is no solid information as to why he was skipped over. The official version is simply that he renounced his rights in favor of the next in line, Khaled.

According to other reports, Prince Muhammad, though forceful and intelligent, has personal problems. He agreed to a

council judgment that he should not rule on condition that Khaled, his full brother, not be passed over in favor of his half-brother Fahd, despite the fact that Khaled was weakened by a heart condition while Fahd was a relatively experienced administrator. Two other sons of Abdul Aziz, Prince Nasser and Prince Saad, both 55, have been passed over, apparently because they had unacceptable shortcomings.

The council has been important in maintaining family solidarity, combining princes with political power and princes who exercise traditional family influence by virtue of age, wisdom, tribal connections or piety.

But there is rivalry. Important princes jockey to keep other important princes from monopolizing power. Various poles of power in the family start with the king and his full brother, Prince Muhammad. Their mother came from the family of Jiluwi cousins, powerful in the eastern province.

## 'Sudeiri Seven'

Crown Prince Fahd is the eldest of a group of full brothers called the "Sudeiri Seven" after their mother who came as wife to Abdul Aziz from the Sudeiri clan, important in central and southwestern Arabia.

The brothers of Crown Prince Fahd are well placed. Prince Sultan, 55 (12th son of Abdul Aziz), is minister of defense and avi-

ation. Prince Turki, 45 (20th son), is deputy minister of defense and aviation. Prince Nayef, 44 (23d son), is minister of interior. Prince Salmaan, 41 (26th son), is governor of Riyadh Province. Prince Ahmed, 38 (28th son), is deputy governor of Mecca Province and Prince Sattam, 37 (29th son), is deputy governor of Riyadh.

Prince Abdullah, who has no full brothers, was born of a mother from the Shammar tribe, important in the north. In addition to his post as second deputy prime minister he is commander of the National Guard, a force which parallels the army and could be a balancing force in a showdown or coup attempt.

Another important grouping of full brothers among Abdul Aziz's sons is the trio of Sa'ad, Musaid and Abdul Muhsin: the latter, governor of Medina, could well figure in the succession, particularly because his two brothers (one of them the father of King Faisal's assassin) already have been passed over.

In all these patterns of affinities and tactical alliances among princes, a crucial factor is the role of women—particularly the bonds created by the wives and mothers among their offspring.

Saudi menfolk are allowed to take wives from several noble Saudi families including the Sudeiris, the Jiluwis and Al-Ash Shaykhs. Saudi princesses, however, are forbidden to marry outside the royal family, with the single exception of the Thumayyan family, who are distantly related to the Sauds. The behind-the-scenes influence of the women may affect the views of groups of princes on issues which are currently being quietly debated within the ruling family.

While the family presents a united front in public and probably shares a large measure of consensus in private, it could be said that King Khaled and Prince Abdullah tend to be traditionalists who want to modernize very cautiously—at a safeguard—against the social problems of Western societies—perhaps and who guard jealously the bedouin values of nomadic desert life. Crown Prince Fahd is more Westernized and less afraid of faster progress.

Among the issues which are discussed are the pace of economic development, cultural change, including the role of women, and giving the growing middle class a greater say in government decisions. Differences vary from issue to issue and from prince to prince. There is no evidence that the differences have spawned serious rifts, however.

The sons of the late King Saud, more than 40 of them, once viewed as a potential source of trouble, have been pushed out of influential positions.

## Leadership

In contrast, many of the "negatives" (actually grandsons of the founder) seem destined to leadership. A good number have been educated abroad and are hard at work.

Sons of the late King Faisal, for instance, have been brought into the ruling circle. The elegant, Princeton-educated Prince Saud Al-Faisal is foreign minister. Prince Khaled Al-Faisal is the extremely able governor of the southwestern province of Asir. Prince Muhammad Al-Faisal until recently ran the government's water program: it was he who intrigued the world by backing research on the possibility of floating icebergs from the Arctic to the Red Sea for fresh water. Two other sons of King Faisal are officers—one in the army, one in the air force.

The sons of the "Sudeiri Seven" include many impressively capable young men, as well.

Twice, however, the family has suffered embarrassing, visible cracks.

In the early 1960s, Prince Talal, now 46 and the 18th son of Abdul Aziz the founder, fell under the spell of Nasserism and democracy in Cairo and Beirut. He married a daughter of Riad Solh, one of the founders of the Lebanese Republic. He renounced his title of prince and became a Republican, forming with two brothers, Prince Badr, 45 and the 31st son of Abdul Aziz, and Nawaf, 44 and 23rd son, and two half-brothers, a group called the "Free Princes."

After drawing up a plan for a national assembly in Saudi Arabia, Talal and his group were forced into exile in Cairo in 1962.

## A Pardon

King Faisal pardoned them after they made a public statement of allegiance in 1965. Talal now lives an unpolitical life at home and abroad. The other two brothers were assimilated into the power structure: Prince Badr is deputy commander of the National Guard and Prince Nawaf served as counselor to King Faisal.

The second incident came about on March 25, 1975, when a young prince, his hair still long from years spent at school in Colorado and California, shot and killed King Faisal in the audience hall. The assassin was Faisal, son of Prince Musaid, 55 and 14th son of Abdul Aziz the founder.

Many reasons were cited for the desperate act. The assassin's father is said to be mentally erratic; his mother was a member of the Rashid tribe defeated by Abdul Aziz at Riyadh in 1902; the assassin's older brother, Khaled, a religious fanatic, had been killed by police when he led a violent demonstration against the opening of a television station, which he believed to be against the Koranic rule barring representation of the human figure; the assassin had been engaged to a daughter of the late King Saud, whose relatives resented King Faisal for deposing King Saud.

Such reasons represent potential problems that Saudi leaders face with their vast wealth, many-branched family and the tensions of a closed, tribal culture opening up to vast, new horizons.

It can be argued that the house

of Saud has done quite well in policing itself. Thousands of male princes, most of them millionaires, have been involved in relatively few known scandals.

However, a factor in this record is the inability of the conservative Saudi press to touch on a matter which might reflect poorly on the family. Also, law enforcement authorities are apt to treat family members as above or at least beside the law, letting the Sauds wash their own dirty linen.

But the family itself is crack down on punishment—publicly. The regicidal, Prince Faisal, was beheaded according to Muslim law for the murder of his uncle the king by an executioner wielding the golden sword specified for royalty.

An earlier princely killer, who murdered the British consul at a party in Jeddah, was sentenced to life imprisonment. But if term is being served comfortably in a family villa after British diplomats asked for a stay of execution so as to avoid around anti-British feelings.

Under King Faisal, allowance to princes were cut back. It intensified the development royal family business.

One knowledgeable source estimates a figure of about \$3 million a year in allowances for the family from oil receipts. It would average \$60,000 to \$150,000 a year per prince depending whether one accepts the low (2,000) or upper (5,000) estimate of the number of Saudi princes, and depending, too, how much is given to some 200 never-seen princesses.

The figure for princely allowances may sound extravagant, but it is less than 1 percent of the nation's oil income and dozens of the princes working for "the corporation" running the country. Eight of the 26 Cabinet ministers and the provincial governors are their assistants are Saudi princes.

In addition to allowances, family members can get richer dealing in land or earning as commissions, or undertaking oil business transactions. Many of these supplementary forms of income rely on nepotism that would be unacceptable or illegal in so-called countries. But in Saudi Arabia when a family member makes killing selling property—most of which is owned by the royal family—in the wildly-inflated real estate boom around the cities is considered normal. It is a normal for princes to act as silent partners in the race commissions on billion-dollar port deals. Recently, some negotiations have emerged of a bid by the royal family to get example that the national bid should come before private business, even family business.

Some U.S. officials, whose interest is in seeing the conservative Sauds stay in power, say prevention of corruption or favoritism, together with education and rearing of princes as useful citizens, is the most critical task facing the family.

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مركز امداد





## A Few Years See Sweeping Transformation

(Continued from Page 1.)

In 1974, one minister said that two-thirds of the country should be handled by U.S. agencies.

Relations soured subsequently in the space of months to the point where Saudi Arabia and the U.S. were on the verge of breaking the Arab boycott on oil.

With eventual peace in the Middle East, however, Israel and the Arab boycott would cease to be a factor and the talk of invasion would be ended.

Despite an astronomical financial surplus, Saudi Arabia cannot be called a rich country. It is not the farms, the factories, the banks, the parks, the museums and the infrastructure which make Sweden a "rich" country.

It does have a high current income and it does have the potential of converting it into a rich country.

Much has already been done in construction, in building roads, schools and hospitals, and in rising expenditures on these.

With peace in the Middle East, the expenditures on arms might even decline.

A big portion of Saudi income in the next few years will be absorbed by expenditures on the oil, industrial establishment, pipelines to gather and transport oil, and export refineries.

Chemical plants, iron and aluminum reduction facilities and steel mills. But if they are properly conceived—and the new minister of industry is determined at all major projects will be implemented—they should be paid for by the national wealth in a few years.

While the annual Saudi budgetary surplus may decline for the next few years, they are unlikely to disappear. Unless waste comes unbounded, the surplus could start to grow again early in the 1980s.

The kingdom's anti-Communism, good relations with the United States, and its moderation on Arab-Israeli issues have led some to conclude, erroneously, that Saudi Arabia is an American satellite.

In a similar fallacy, some Americans have been led to conclude that the kingdom could be taken over by the Saudis. It has no place to turn. Washington's initial optimism about the Saudi role in oil prices has now given way

to an equally erroneous assumption that Saudi Arabia can always—and will always—be a brake on price increases. Americans tend to take these positions because they disbelieve, or discount, or do not hear, the Saudis' own statements.

This had led to serious error in the past, most notably in 1973 when a deaf ear was turned to warnings from King Faisal that the oil weapon would be used if there were not a move toward Middle East peace.

There is no doubt of Saudi anti-Communism or Saudi desire to remain friendly with the United States. But Saudi Arabia is Arab above all; its other foreign-policy concerns do not take precedence over matters of importance to the Arabs. Saudi interest in Jerusalem did not die with King Faisal. Saudi Arabia does not secretly want the Palestinians to be crushed and absorbed in spite of continual reports from some widely read political commentators.

On oil, too, there is a clear danger of miscalculation. Saudi Arabia is not trying to break OPEC; it is not secretly trying to ruin the economies of Iran or Iraq, and contrary to some of the wilder testimony before the United States Senate, it does not need more income. It is not afraid that it will be left with the oil in the ground and it does not believe the major consumers will do anything which would depress oil prices. Neither does it believe that the current price of oil is higher than the price of oil ultimately should be.

The Saudis believe, and have repeatedly stated, that the price of oil rose too far and too rapidly after 1973; they believe, as do all OPEC governments, that the price of oil will be determined ultimately by the cost of production of synthetic liquid hydrocarbons and that this will be roughly twice the present price of oil.

Foreign Minister Prince Saud has said that Saudi Arabia's price dispute with its OPEC colleagues was only "the timing and rhythm" of price increases.

The importance of the "timing" is not to be underestimated, but this does not mean, the Saudis favor an indefinite price freeze. In various recent projections of world oil supply and demand for the next 20 years, more sober analyses conclude that a supply

problem will appear unless Saudi Arabia lifts its current oil production ceiling of 8.5 million barrels per day. Optimistic reports have in common a belief that Saudi Arabia will increase oil production as needed.

So far it has done so. Yet there has been strong opposition in the country to even the present production levels. Many Saudis believe that much current income is wasted; that the surplus income has only been placed in U.S. Treasury bonds or in bank deposits where the rate of return is less than the rate of inflation; and that it would be much better for Saudi Arabia to keep its oil in the ground until it needs the income.

Nonetheless the world demand for the oil will be great, and I think that the United States can reasonably expect to get oil from Saudi Arabia under a few important conditions.

King Faisal and King Khaled have both said that they understood their responsibilities to the world and would produce the needed oil provided there were a just peace in the Middle East.

This is not the entire picture, however. Sheikh Ahmad Zaki Yamani, the oil minister, has repeatedly added to this formula his warning that his country could not be expected to produce oil—its only important natural resource—if the West continued to be profligate in its use. Saudi Arabia would produce oil for essential uses, it would review its position if there were no efforts in the industrial countries to conserve energy.

There is one more consideration. The Saudis must be shown that they can use their income for the development of their country and their area and that whatever surplus it has can be invested profitably abroad. It would not be rational to assume the Saudis will forever be willing to accumulate deprecating dollars.

### The Conditions

These are not impossible conditions. President Carter is fully committed to working for peace in the Middle East. He is equally committed to a strong program of energy conservation in the United States. And there are no American governmental obstacles to widespread Saudi investment in the United States.

But even if all conditions are fully met, it must not be assumed that oil prices will also be frozen. This is out of Saudi hands; it will essentially be out of OPEC hands. As Saudi Director of Petroleum Dr. Abdul-Hadi Tahir said recently, "I would like to have someone show me how oil prices are to be kept down during the shortages we will surely have."

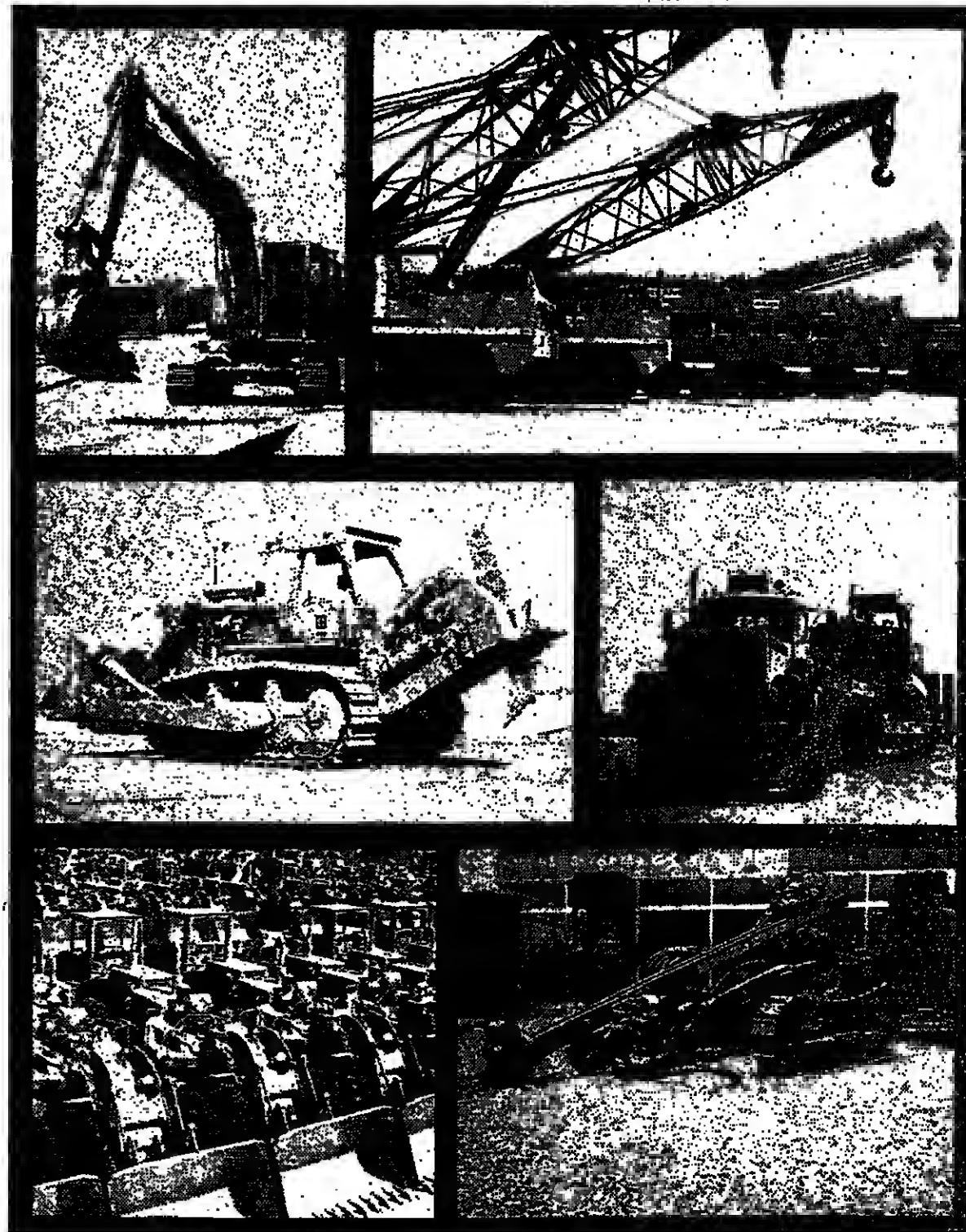
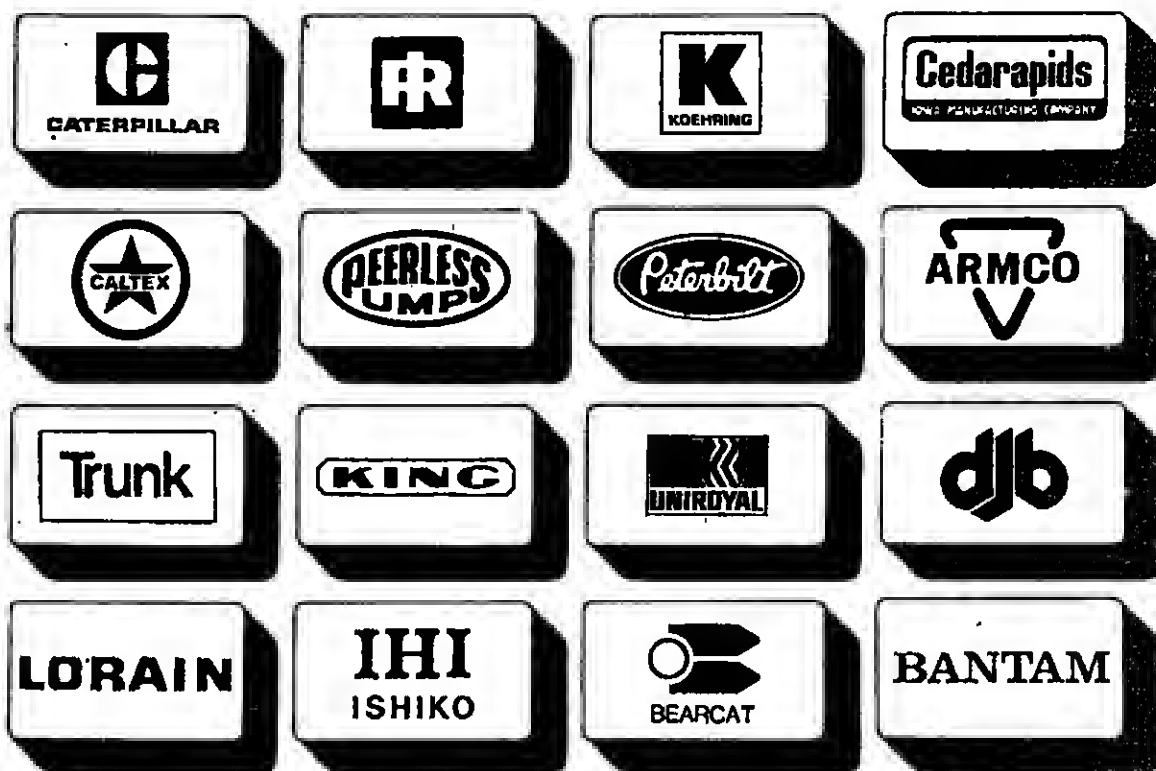
This does not necessarily mean that oil prices will inevitably skyrocket as they did in 1973-74. If the International Energy Agency implements its planned policy of limiting oil imports, the industrialized world should be able to work out with Saudi Arabia and other oil-producing countries a schedule of production and prices to cover the time from now until synthetic hydrocarbons are introduced to replace conventional oil—probably toward the end of this century.

Anything said here or elsewhere about future energy supplies is based on the assumption that there will be peace in the Middle East. If there is not, we must plan for catastrophe, not smooth transitions. With peace, however, our oil and petrochemical companies, our aluminum and iron and steel companies, should also be able to develop with Saudi Arabia extensive new joint ventures for refining petroleum, for manufacturing basic hydrocarbons and for producing sponge iron, raw steel and aluminum in Arabia and more sophisticated, labor-intensive products in the United States.

There may have been some truth in the old accusation that the U.S.-Saudi relationship was a master-client one. However, awakening recognition by the United States of its own interests and a more realistic assessment of its capabilities and the foreign policy limitations are matched by Saudi Arabia's growing recognition of the extraordinary, but narrowly based, power and influence it can have for the next 20 years—and beyond, if its resources are carefully husbanded.

There is good reason to look forward to the development of a flourishing new relationship between these two unique countries. The United States' strength and technology working together with Saudi energy and capital can be of immense benefit, not only to the two countries themselves, but to the world.

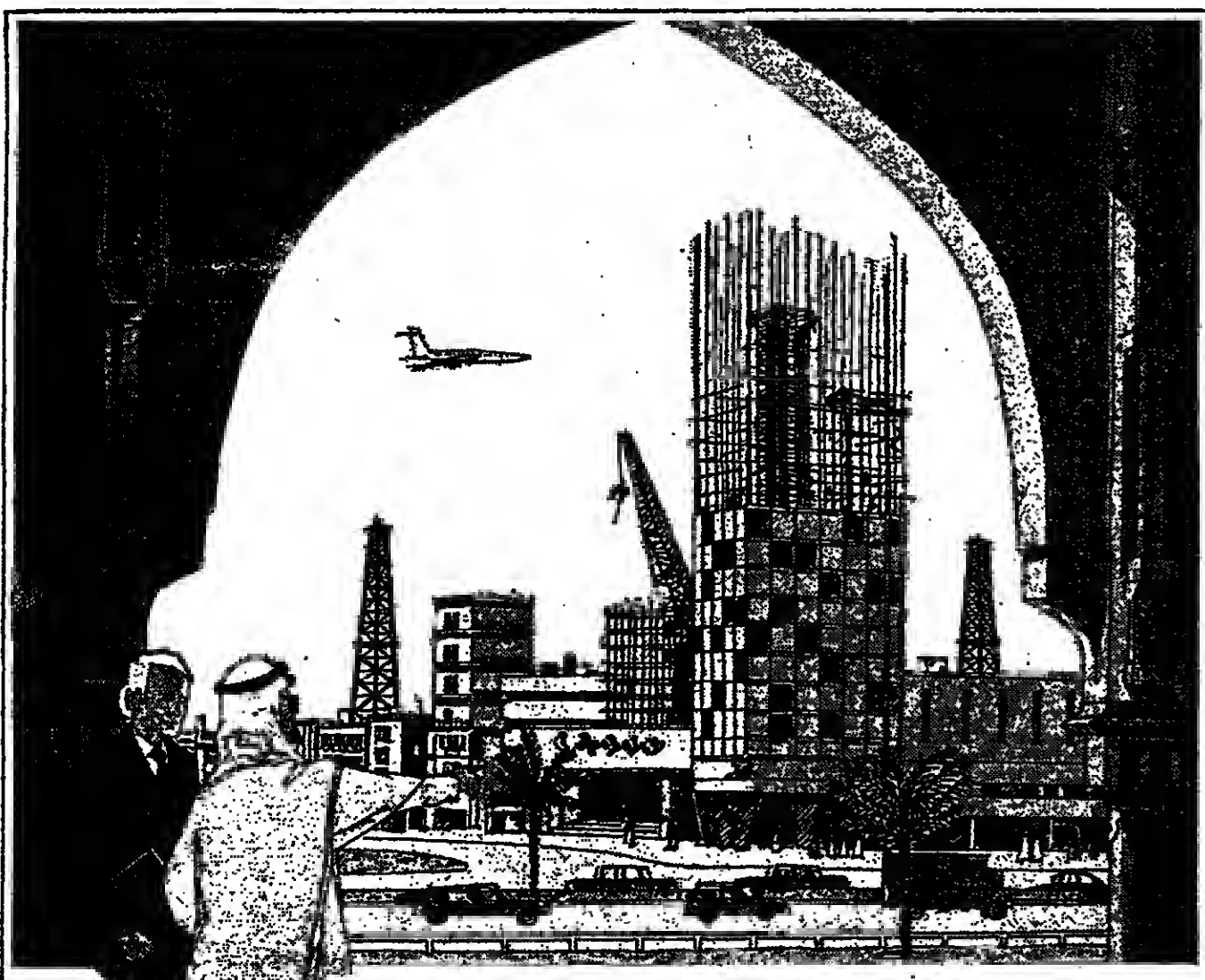
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مكة أمه المصطفى



## 75

-12 Month - Stock										Chrgs										-12 Month - Stock										Chrgs													
High, Low, Div in S, Yld, P/E										S/E 100s, High Low Quot, Close										S/E 100s, High Low Quot, Close										S/E 100s, High Low Quot, Close													
15%	5%	Meatline	24	3.2	14	6%	7	-	-	21%	1%	RET	10	1.2	13	21%	21%	21%	21%	21%	24%	14%	Tetlin	30	2.2	18	15%	22%	22%	22%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%			
15%	11%	MELAC	20	2.2	14	14%	14%	14%	14%	21%	1%	RPL	10	1.2	13	21%	21%	21%	21%	21%	24%	14%	Tetlin	30	2.2	18	15%	22%	22%	22%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%			
14%	11%	MELAC	20	2.2	14	14%	14%	14%	14%	21%	1%	RPL	10	1.2	13	21%	21%	21%	21%	21%	24%	14%	Tetlin	30	2.2	18	15%	22%	22%	22%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%		
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14%	11%	MELAC	20	2.2	14	14%	14%	14%	14%	21%	1%	RPL	10	1.2	13	21%	21%	21%	21%	21%	24%	14%	Tetlin	30	2.2	18	15%	22%	22%	22%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
14%	11%	MELAC	20	2.2	14	14%	14%	14%	14%	21%	1%	RPL	10	1.2	13	21%	21%	21%	21%	21%	24%	14%	Tetlin	30	2.2	18	15%	22%	22%	22%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
14%	11%	MELAC	20	2.2	14	14%	14%	14%	14%	21%	1%	RPL	10	1.2	13	21%	21%	21%	21%	21%	24%	14%	Tetlin	30	2.2	18	15%	22%	22%	22%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
14%	11%	MELAC	20	2.2	14	14%	14%	14%	14%	21%	1%	RPL	10	1.2	13	21%	21%	21%	21%	21%	24%	14%	Tetlin	30	2.2	18	15%	22%</															

Published at the end of the week, this is a compilation of senior level job opportunities from selected publications. Senior level jobs published by the International Herald Tribune through Tuesday automatically appear in this feature.

To place an advertisement in "INTERNATIONAL EXECUTIVE OPPORTUNITIES," contact our office in your country (listed on back page). Any questions or comments concerning this feature can be directed to Miss Juanita Caspini in the Paris office.

JOB TITLE	SALARY	EMPLOYER	JOB LOCAT.	SOME OF THE QUALIFICATIONS	CANDIDATES SHOULD MAKE CONTACT WITH	ADVT. Source
SENIOR FINANCIAL ANALYST	Upper \$20's	Fast growing Fortune 200 consumer products Co.	New York City	MBA or equiv. bus. exp. with mfg. ind. Co.; 2 yrs. Int'l finance exp.; Eng. + Span. Fr. or Germ.	Box D-15, The Wall Street Journal, 22 Cortland St., New York, N.Y. 10007.	Wall Street Journal 1-2-78
SENIOR DATA PROCESSING CONSULTANT	\$65,000 +p	Major Iranian firm.	Tehran	Advanced tech. degree with min. 8 yrs. heavy exp. data processing divpt. incl. 3 in mgt.	Mr. W.W. Higgins, Advanced Technical Services Inc., 1000 Connecticut Ave., N.W., Washington, D.C. 20036.	Wall Street Journal 1-2-78
MARKETING EXECUTIVE	Negotiable	Major manufacturer of Industrial Consumables	Switzerland 75% travel	Proven track-record in Comoco Markets exp. U.S.S.R., Russian, French, English and/or German.	Chiffre P. 22.3445, Publicitias, CH-1002 Lausanne.	I.H.T. 2-2-78
CORPORATE DIRECTOR OF AUDITS		French Int'l Group.	Paris	Senior level exp. major Anglo-American audit firm; some industrial exp.; Fr., Eng.	No. 28 RT 026, C.P.A., 69 Rue de Monceau, 75008 Paris.	I.H.T. 2-2-78
MANAGING DIRECTOR		European division of world leading printing plate manufacturer.	Europe	Strong proven track record Int'l sales/mktg.; bus. mgt. exp.; multilingual.	Box 1,013, Herald Tribune, 181 Ave. Charles-de-Gaulle, 92200 Neuilly, France.	I.H.T. 2-2-78
SENIOR CORPORATE BANKER	Negotiable	Int'l Bank, Denmark.	Copenhagen	Univ. deg.; min. 5 yrs' exp. similar pos. either in a bank in Denmark or abroad; Eng., Danish.	Mr. E.F. Forbes, Corporate Banking Group, Citibank NA, Nikolaj Plads 34, 1067 Copenhagen K.	Financial Times 2-2-78
DIRECTOR AND CONTROLLER	£15,000	A.G. Roach & Partners.	Midlands	Mid 30s; proven success in total finance function; qual. accountant & a science degree.	Dr. A.G. Roach, A.G. Roach & Partners, 8 Hallam St., London W1N 5DJ.	Financial Times 2-2-78
SENIOR DEPOSIT BROKER	Competitive	Charles Fenton (Singapore) Ltd.	Singapore	Approx. 30; min. 4 yrs. broking exp. in dollar deposits in London market.	E.H.N. Davies, Deputy Chairman, Charles Fenton & Co. Ltd., 34-40 Ludgate Hill, London EC4M 8JT.	Financial Times 2-2-78
BRANCH WORKSHOP MANAGERS	£12-13,000	Construction, Mining, Mechanical Handling and Automotive eqpt.	Saudi Arabia	Exp. working in Middle East; Eng. + Arabic.	Ref. CP 18, Alfred Bates and Son Ltd., Westgate House, 9 Holborn, London EC1N 2NE.	Daily Telegraph 2-2-78
CREDIT MANAGER	£15,000 plus other benefits	Major commercial and engineering group.	Kuwait	30-45; accountancy/credit anal.; ext. exp. consumer finance field.	Telephone: Barbara Bailey, London (01) 235 7030.	Daily Telegraph 2-2-78
GENERAL MANAGER	Very attractive	Rapidly developing indigenous Co.	Nigeria	5-10 yrs. working exp. in Shipping & Forwarding industry & a Senior Capacity.	H.A.W. Consultants, Nigeria, P.O. Box 1829, Lagos, Nigeria.	Financial Times 3-2-78
CHIEF EXECUTIVE	£20,000+	Elastic Rail Spins Co. Ltd.	London	38-50; proven success in expanding profitability of large manufacturing org.; Int'l mktg. bckgd.	Ref. 2035/FT, W.T. Agar, John Courts & Partners Ltd., 78 Wigmore St., London W1N 9DD.	Financial Times 3-2-78
FINANCIAL CONTROLLER		Hertz	Frankfurt	35-45; full prof. accg. qual.; exp. large public accg. org. + 2-3 yrs. ind. or commercial bckgd.	W. Mick, Hertz Autovermietung GmbH, Mainzer Landstr. 129, 6000 Frankfurt. Tel.: 0611/25751.	Frankfurter All. Zeit. 4-2-78
BANKER SOUTH AMERICA		Major German Bank.	Brazil	Banking experience. Ability to make new contacts with government, ind. etc. German, Eng. + Span. or Port.	Dolan Consulting, Informatekai 34, D-Frankfurt/Main 1. Tel.: 0611/230876.	Frankfurter All. Zeit. 4-2-78
GENERAL MANAGER	Attractive	Subsidiary of U.S. Multinational Co.	Brussels	Fr., Eng. 3-5 yrs. general bus. exp. in Europe.	Box D-0,000, Herald Tribune, 181 Ave. Charles-de-Gaulle, 92200 Neuilly, France.	I.H.T. 4-2-78
SALES MANAGER MIDDLE EAST		Major American manufacturer.	Middle East + travel	Eng., Arabic; some exp. in selling hardware, automotive and ind. accounts.	Box D-1,011, Herald Tribune, 181 Ave. Charles-de-Gaulle, 92200 Neuilly, France.	I.H.T. 4-2-78
MANAGER	Negotiable and free of tax	Money Market and short-term investments.	Abu Dhabi	Over 30 yrs.; min. 5 yrs. pract. exp. in analyzing and managing short-dated investments.	Ref. 906/INT, W.L. Tall, Touche Ross and Co., 4 London Wall Buildings, London EC2M. Tel.: 01-588 6644.	I.H.T. 4-2-78
INTERNATIONAL RECRUITMENT MANAGER		Major agro-industrial corp.	French-speaking West Africa	Several yrs. exp. in recruitment exp.; Fr., Eng. languages.	Director, Project Administration, Box D-1,016, I.H.T., 181 Avenue Charles-de-Gaulle, 92200 Neuilly, France.	I.H.T. 7-2-78
STEAM & POWER GENERATION MANAGER		Major growth corp. in process industries.		Related engineering degree & 10+ yrs. exp. steam & power field.	James R. Grover, Grover & Ass., 7870 Olentangy River Rd., Suite 204, Worthington, Ohio 43085, U.S.A.	I.H.T. 7-2-78

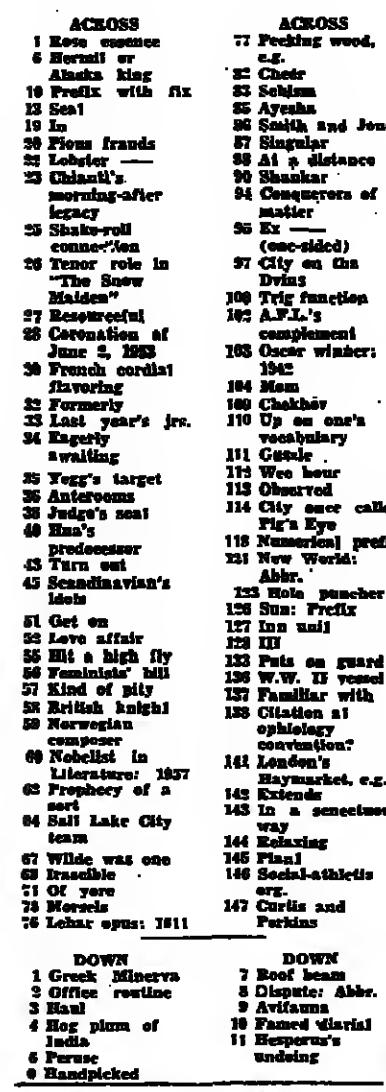
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pean Markets		
local	closing prices	
day's	contracts	
<b>lan</b>	Gu Lin St	2.76
	Guineas	1.77
	Hawker-Sidd	1.88
	Hudson Bay	\$7.88
	Imp Chem	3.55
	Mark-Span	1.66
	Metal Box	2.02
	Nichols	1.71
	Nissey	0.92
	Road Mines	0.46 1/2
	Rans Dry	1.00
	Royal Dutch	38.80
	R.T.C.	5.05
	Shell	1.67
	Thom IA1	3.69
	Ube Invest	3.64
	Unifcor Cars	1.84
	Vickers	2.64
	Wear Leds	3.54
	West Damp	39.90
	West Dref	32.75
	West Ind	32.00
	West AIn	0.90
	Worwerth	0.66
	Z.C.I	0.10
<b>els</b>		
	2.130	
	1.456	
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	122	
	112	
	125.30	
	176.30	
	111.50	
	240	
	122	
	298.50	
	124.90	
	Alchian	36.88
	119	
	Alch-Henn	1.31
	212.60	
	Moulines	119.26
	Farbes	215.50
	P.U.K	69
	Pennarove	31
	Perrier	30.30
	Prosper	527
	R.P. Pauline	20.50
	317	
	Sacibar	119.50
	Sector	215
	Suez	205.00
	Thomson	725.90
	Unisor	17.20
<b>in</b>		
	2.60	
	0.30	
	3.17	
	6.38	
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	6.54	
	0.53	
	1.36	
	Alumina	2.49
	2.91	
	Buehrle	1.786
	B. Bower	1.250
	Cr Solvate	1.00
	1.76	
	Fischer	770
	Hochbach	2.70
	Henné	2.10
	Sandoz	4.725
	2.79	
	Sw S. Suisse	2.05
	1.44	
<b>Paris</b>		
	Air Liquide	226
	Alominaire	04.80
	Auveline	320
	B.S.N	332
	Carrière	1.720
	Cin Lafarge	334.10
	Cie Bancarie	234.50
	C.F.P.	97
	C.G.E.	30
	C.C.F.	104.40
	Ferrote	379
	Indral	30.43
	L'Oréal	62
	Alach Bull	26.88
	Alchian	1.31
	Alch-Henn	1.31
	Moulines	119.26
	Farbes	215.50
	P.U.K	69
	Pennarove	31
	Perrier	30.30
	Prosper	527
	R.P. Pauline	20.50
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	Sacibar	119.50
	Sector	215
	Suez	205.00
	Thomson	725.90
	Unisor	17.20
<b>Zurich</b>		
	Ciba Geigy	1.400
	Alumina	2.49
	Buehrle	1.786
	B. Bower	1



Edited by  
**EUGENE T. MALISKA**

**TURNING PHRASES—By Jordan S. Lasher**



## BOOKS

## THE ZAPPING OF AMERICA

*By Paul Brodeur. W.W. Norton. 343 pp. \$11.95.*

Reviewed by Victor K. McElheny

**I**N WAYS that still puzzle medical science, Paul Brodeur tells us, levels of human exposure to microwaves far below the intensity needed to cook in a microwave oven have been linked for 25 years to cataracts in radar operators, and, more recently, to blindness, to birth defects at an Army base in Alabama and cancer at the United States Embassy in Moscow. The use of microwaves, he writes, has become so pervasive that it "affects every man, woman and child in the land."

The book quotes extensively from U.S. government memorandums indicating that military and civilian officials, mindful of the tremendous present and potential utility of microwave detection and communication, were less than eager to investigate medical dangers from microwaves. But the apparent obstruction by such officials has less influence than Brodeur thinks on trends in medical and biological research.

The biological risk from microwaves has attracted relatively little attention from researchers, not because of military fiat, but because, logically, the risk seemed too moderate by comparison with the possible role of processed foods, new synthetic chemicals, cigarette smoking, X-rays from medical examinations and many other works of man that have been implicated in the induction of cancer and heart disease.

The reality is both better and worse than that. Mankind is not two or three times more numerous than it was only 200 years ago because life is materially worse. Obviously, a river of benign inventions, such as those that bring clean water into cities and anesthetics into surgery, has been flowing.

As Brodeur tells us, some scientists are beginning to take seriously the possibility of medical risks, particularly of catalysts, from small doses of the microwaves so widely used in rich nations for cooking, transmitting radio waves and heating civilian airliners down for landings and monitoring the seas and skies for foreign military craft.

The publication last year of two articles in the New Yorker, on which this book is based, created great interest among leading biologists. It is probable that Brodeur's articles, while alleging a sustained cover-up of possible risks over many years, appeared when microwaves began to be pervasive enough to force consideration of them as a medical problem.

Broderick's book performs an important service in forcing both private industry and the United States military to justify, more publicly than they were accustomed to, the safety, or large-scale uses of microwaves.

Where the book is less persuasive is in arguing that the interest of the military in continued use of microwaves has suppressed medical and biological research into the subject.

Among biologists, many of whom have been trained in the disciplines of physics that would make them mindful of risks from all types of radiation, including microwaves, interest focused for many years on the role of viruses in triggering cancer. Only now is interest shifting somewhat toward environmental causes, such as asbestos or chemicals in the air and water that reach workers or the general population.

Medical and biological research in the United States have grown numerous, and outspoken. In 1969, leading researchers exhorted themselves very effectively to induce President Nixon to abandon unilaterally the nation's long-standing commitment to biological warfare. It is difficult to imagine such scientists deliberately ignoring for many years an obvious risk to public health.

Although even the most dedicated believer in conspiracy theories will find Brodetsky's exposition heavy going, the book is his engrossing and ironical passages. Among the most interesting are those describing the State Department's contortions in, discussing publicly the health risks to its staff from the unexplained and long-continued microwave irradiation of the Moscow embassy. The streams of microwaves hitting the embassy are of an intensity far above that considered benign by Soviet biologists—who have steadily become more worried about the problem than their Western colleagues.

Victor McKelney is on the staff of The New York Times.

## INTERNATIONAL FUNDS

**ADVERTISEMENT**  
February 22, 1973

The net asset value quotations shown below are supplied by the Funds listed with the exception of some Swiss funds whose quotes are based on mean prices. Following marginal symbols indicate frequency of quotations supplied for the: (d)—daily; (w)—weekly; (m)—monthly; (r)—regularly; (i)—irregularly;

**BANK JULIUS BAER & Co. Ltd.:**

[illegible]

## DENNIS THE MENACE

## JUMBLE THAT SCRAMBLED WORD GAME

Unscramble these four Jambles, one letter to each square, to form four ordinary words.

**SOKYM**  
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 ©1977 by The McGraw-Hill Companies, Inc.


**FUTOL**  
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**GAMENT**  
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**HISVAL**  
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**7-1**  
 "YOU DON'T KNOW  
 WHAT TO DO  
 WHEN AT IT."

Now arrange the circled letters to form the surprise answer, as suggested by the above.

Print answer here:  (Answers Monday)

Yesterday's Jumble: **IMBUE GAMUT DISOWN HANGAR**  
 Answer: Why they created the philanthropic humor—**HE WAS A "BIG GAMIST"**

"Registered as a newspaper at the Post Office"



"WELL, I'M **NOT** YOUR LITTLE BOY... AND NOT LIKELY TO BE, EITHER!"



## ts Balk at Playing in Oakland; t Denies a Sale of Mets Looms

ve Seen Barred No Bid Received in N.Y.

By Nancy Scannell

NEW YORK, Feb. 10 (UPI)—Negotiations between the Oakland Athletics and the New York Mets to play some Oakland-Alameda County Coliseum games in the A's' home stadium in Oakland, Calif., have been barred by the A's' owners, who say the Mets are not interested in playing in Oakland.

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NEW YORK, Feb. 10 (UPI)—Mr. Donald Grant, the New York Mets' board chairman, said yesterday that he knew of no inclination among the baseball franchise's owners to sell the Mets to a group that would include Joe Namath. "You always hear about people who want to buy the Mets," Grant said, "but even the people in this group acknowledge that they haven't even talked to us about it."

The group's spokesman is George Oppenheimer, a business adviser to Namath, the 34-year-old quarterback who was traded to the New York Jets from the Oakland Raiders last month.

"We haven't yet talked to the Mets," Oppenheimer was quoted as saying, "but we feel the club might be for sale soon. We are organizing this group in hopes we can sit down with them when they are ready to talk."

John Payson, the Mets' secretary and a member of their board of directors, said he was "not interested" in selling the club to the National League franchise.

Payson's sister, Mrs. Lorinda de Roulet, the Mets' president, was reported to be on a Caribbean cruise ship and unavailable for comment on the club's future.

"We have an agreement among ourselves," Payson said by telephone from Hobe Sound, Fla. "That none of the stockholders would sell his or her stock without the others' knowledge and consent."

The major stockholders in the Mets are Payson, Mrs. de Roulet, their father, Charles Payson, and Grant.

"This is not a troubled team, as some people like to say," Grant said. "We think we're one of the best baseball franchises in the country. We're in good shape financially and we think we have a good team."

Despite a last-place finish in the National League East last year, the value of the Mets has been estimated at \$20 million to \$25 million.

"There have been no discussions about selling the club," Payson said. "We went through some interior discussions back when there was talk of the team leaving to move to Yankee Stadium for two years if New York City was awarded the 1984 Olympic Games, but that's been the extent of it."

According to Jimmy Walsh, Namath's attorney and agent, the threat for a possible purchase of the Mets came from some unidentified Texas oil millionaire, not Namath. An unidentified New York advertising agency executive also was mentioned in the published report.

American Dick Stockton defeated countryman Peter Fleming 6-1, 7-6, 7-3.

SPRINGFIELD, Mass., Feb. 10 (AP)—Top-seeded Harold Solomon and second-seeded Stan Smith advanced yesterday to the quarterfinals of the \$75,000 Springfield International Tennis Classic.

Solomon was taken to three sets before ousting South Africa's Berndt Mitton, 6-1, 2-6, 6-3. Smith also went the distance with Britain's Roger Taylor, but prevailed, 6-4, 3-6, 6-3.

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Stove, Turnbull Win SEATTLE, Feb. 10 (UPI)—The field of Martina Navratilova's challengers in the Seattle leg of the women's professional tennis tournament narrowed yesterday, as Betty Stove and Wendy Turnbull became the first players to advance to the semifinals.

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If there is anything different about this season for Holtzman, it could be in the way he reacts to his status.

"I've probably reconciled myself more to the fact that this year could be the same as last," he explained. "Last year was unexpected. This year there will be no surprises. I assume it will be frustrating just to sit there and watch again, but at least there won't be any surprises that I won't be pitching much."

Holtzman has not pitched this winter—"I haven't pitched this winter in a year and a half," he had quipped earlier—but he has kept in shape playing racketball and handball with some neighbors.

"We also run a little bit," he said. "Most of the time indoors, but a little outdoors. The streets are like ice and we don't have any sidewalks."



Would-be men's downhill skiers leaving the slopes of wind-blown Mont Blanc yesterday.

## Winds Block World Cup Downhill on Mont Blanc

CHAMONIX, France, Feb. 10 (Reuters)—Gale-force winds gusting across the frozen slopes of Mont Blanc forced today's men's World Cup downhill skiing race to be postponed, and the event is in danger of being abandoned.

The organizers have rescheduled the race for early tomorrow, before the first leg of the men's slalom.

But the latest weather reports predict further snowstorms here in the French Alps tonight and so conditions tomorrow could force cancellation of the event. Officials ruled out holding the race over until Sunday because of the demand for hotel accommodations here in Chamonix. This weekend marks the start of the peak winter holiday season and the region's hotels are fully booked as of tomorrow night.

Tomorrow's slalom, held at a much lower altitude, is expected to go ahead as planned.

The 62 downhill contenders from 16 countries today spent several hours cooped up in a cabin near the starting gate, 1,870 meters up the slopes of Mont Blanc, before officials decided that the wind was not going to drop and called off the race.

U.S. Tennis Leader Pledges To Play S. Africa, Laments It

NEW YORK, Feb. 10 (UPI)—The president of the U.S. Tennis Association said yesterday that South Africa should withdraw from the Davis Cup because it has disrupted the international tennis competition.

"We feel South Africa should withdraw from Davis Cup and Federation Cup competition," USTA president W.R. Hester said in an interview by phone from his office in Jackson, Miss. "We feel they should withdraw because of the disruption they have caused to the play of Federation Cup and Davis Cup teams."

The United States is due to play South Africa in a Davis Cup match starting on March 15 in Nashville, Tenn.

The USTA headquarters here has received a number of requests, mainly from domestic groups, urging that the United States refuse to play South Africa because of its apartheid racial policies.

UN Votes Cited One letter, from a group known as the South African Non-Racial Olympic Committee, claimed that the forthcoming match violates United Nations resolutions against apartheid in sports and is an affront to the South African people.

But Hester said the United States would play the match. "We do not feel that a Davis Cup match between the United States and South Africa will lessen to any extent the apartheid movement of South Africa," he said.

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## Women's Coach Quits U.S. World Cup Team

CHAMONIX, France, Feb. 10 (AP)—John Bowerman, head coach of the U.S. women's ski team, resigned yesterday after the girls' final races in the European portion of the World Cup.

No reasons were given for the resignation, but Hank Tauber, director of the team, said: "We knew it was coming for several weeks."

"I would rather not say anything about it until we know what we are going to do about it in several weeks," Tauber said. The American women's team placed three girls among the top 10 in the World Cup giant slalom in Megève yesterday and is now en route to the United States for a brief rest and to prepare for the World Cup races scheduled to be held in Stratton, Vt., and Waterville Valley, N.H., early next month.

Bowerman was not available for comment. He left immediately after yesterday's races, presumably to go to his home in Wenatchee, Wash.

U.S. team officials also declined to comment on Bowerman's resignation but outside ski sources said Bowerman left because of personal conflicts with Tauber.

Bowerman, 39, had been head coach of the American girls skiers for the last two years. A rodeo rider in his spare time, he is a graduate of the University of Oregon and the French national ski school and founded the Mission Ridge Ski Training Academy in Wenatchee.

"Frank, straightforward" Bowerman had trained the American girls for the 1976 Winter Olympics in Innsbruck, Austria, and for last week's World Alpine Championships in Garmisch-Partenkirchen, West Germany. The U.S. skiers achieved only mediocre results. Cindy Nelson of Lausell, Minn., held the top American rank in the World Cup, in 10th place without any hope of achieving premier honors this year.

"A lot of girls might have problems with John's approach," said Christine Cooper, of Sun Valley, Idaho, the American women's slalom champion. "He's so frank and straightforward in the way he coaches and in the way he handles you off the hill too."

"I think it's good, in an honest way," Nelson, the team's veteran and

3 N.Y. Racetracks Lose Millions on Snow NEW YORK, Feb. 10 (UPI)—The snowstorm that dumped close to two feet of snow here this week stopped a cash flow of more than \$8 million through the area's three racetracks.

The storm resulted in a loss of approximately \$700,000 for the aqueduct, Yonkers and the Meadowlands.

A Transatlantic Dispute

Lame Trotter Subject of a \$1-Million Suit

By Red Smith

NEW YORK, Feb. 10 (UPI)—Nevele Thunder is a crippled trotting horse, but he is a star in either Charles City or Lloyds of London, depending on a number of things. He is a son of Nevele Pride, the fastest trotter that ever lived, and when Stanley Dancer started driving Thunder he felt the colt had a chance to be better than his sire. As a 2-year-old Thunder won 18 of 31 races, including a dozen stakes, and set the fastest times of the year on tracks of all sizes. He was undisputed champion of his age group and drew 11 votes for Harness Horse of the Year, an unusually strong showing for a baby. Before the colt turned 3, Stanley, who runs the Nevele Country Club in the Catskills in New York, syndicated him as a stallion for \$1.5 million. Nevele's \$1.5 million syndication is the top figure for a harness horse and Thunder's price set a record for a 2-year-old. The next summer, Thunder took a step wrong in the Hambletonian and broke his left foreleg.

"He probably should have been destroyed right then," Slutsky said this week. However, Dr. Thomas Pankin of Chicago, the veterinarian who treated the colt, said the injury wouldn't hamper him as a lover, so a cast was put on the leg.

Slutsky had paid \$30,000 to insure the horse with Lloyds for stud service. The policy called for \$1 million if he should prove infertile.

Contrary to popular belief, Lloyds is not an insurance company. It is a market, something like the New York Stock Exchange, where underwriting members form syndicates to accept insurance business. Slutsky dealt with the Shulman agency of Monticello, N.Y., which in turn placed the policy with underwriters through a Lloyds broker in London. Under the terms of the policy, Rhulen, acting as American agent for Lloyds, selected Dr. Howard Gill, Larry Sauter and Jim Booth as a team to examine Nevele Thunder for fertility.

The flunked him. The test was conducted in December, 1976. When the result was unsatisfactory, Slutsky paid back the members of Nevele Thunder's syndicate and put in a claim for his \$1 million. A team of veterinarians came over from England.

They implied that the American vets were incompetent," Slutsky said. "The vets were picked by their own agent. They wanted to run another test. I said OK, provided we both promised in writing not to use the result in court. They weren't interested. I had played by the rules and they had lost the game. Now they wanted to play another inning, hoping they'd get lucky."

He filed suit, first in the New York Supreme Court and then in federal court. The underwriters countered, claiming that

Ugandan TKOs Ex-Champ Foster In Copenhagen COPENHAGEN, Feb. 10 (Reuters)—Denmark-based Ugandan light-heavyweight Mustapha Wasawha beat former world champion Bob Foster of the United States in five rounds here last night.

Foster, back in action after retiring an unbeaten champion in 1974, had to give up at the end of the fifth round with an injured right hand.

He had attempted to withdraw before round earlier but continued after protests from an angry crowd and an extended inter-round break.

Former European light-middleweight champion Jose Hernandez of Spain also retired in the fifth round of his fight, against another Danish-based Ugandan, Ayub Kalule.

Mike Everett of the United States knocked out Denmark's former European welterweight champion, Joergen Hansen, in the first round.

## Top-Seeded Gerulaitis Is Upset at St. Louis

ST. LOUIS, Feb. 10 (UPI)—Vitas Gerulaitis, No. 1 seed in the \$175,000 St. Louis phase of World Olympic Tennis tour, was eliminated yesterday in the second round by unseeded Sandy Mayer, 6-3, 7-6.

Mayer, Gerulaitis' regular doubles partner, had a nearly flawless attacking serve and volley during their third meeting in three weeks.

Mayer defeated Gerulaitis two weeks ago at the U.S. Indoor at Philadelphia but Gerulaitis avenged the loss last week in Richmond, Va.

Australian John Newcombe continued his comeback yesterday, entering the quarterfinals with a convincing 6-3, 6-1 victory over another unseeded player, American Tom Gullikson.

The 33-year-old, three-time Wimbledon champion needed less than an hour for his second straight triumph on his road back after an injury.

No. 8 seed Wojtek Fibak of Poland advanced to the quarterfinals by defeating Bob Hewitt of South Africa, 6-3, 6-4.

Chris Lewis of New Zealand eliminated Mark Cox of England, 6-3, 7-5, in a battle of unseeded players.

American Dick Stockton defeated countryman Peter Fleming 6-1, 7-6, 7-3.

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## Argentinians Dispute Cost Of World Cup

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